Management Discussion and Analysis (MDA)

FY23 Business Highlights	68
State of the Market	70
Our Business	72
Business Strategy	77
Medium-term Strategic Objectives	79
Risk Management	96
Consolidated Results	105
Standalone Results	115

FY23 Business Highlights

Supercharged Business Performance

HCLTech continues to build momentum, surpassing its performance targets and achieving robust growth across all key metrics during the previous fiscal year.
We saw strong top line and bottom line earnings growth. Our consolidated revenue crossed a significant milestone of ₹100,000 crores in FY23, by recording ₹101,456 crores, an impressive 18.5% increase over FY22. We registered a 10% growth in net income in FY23. A four-year revenue compound annual growth rate (CAGR) of 10.9% reflects our sustained success over time.

Unlocking Potential and Supercharging Outcomes

During the past fiscal year, HCLTech undertook a major brand transformation to capture the company's momentum, energy and acceleration. Central to this process was the definition of a statement of our purpose: **To bring together the best of technology and our people to supercharge progress**. The new brand identity and logo, underpinned by the distinct positioning of **Supercharging Progress**, is our pledge to deliver business outcomes quickly and efficiently, embracing the qualities of pragmatism and resiliency. This promise extends beyond our clients to encompass our people, the communities we serve, our shareholders and the planet as a whole.

Putting Our Purpose into Action – Our Strategic Objectives

The following medium-term strategic objectives show how HCLTech intends to fulfill its purpose of supercharging progress:

- Leadership through **differentiated services and products**
- **Employer of choice** in professional services across all key geographies
- Preferred **Digital partner for Global 2000** enterprises in chosen markets
- Weave **ESG (Environmental, Social and Governance) goals** into business strategy
- Deliver **top quartile TSR** (Total Shareholder Return) over the medium term

We expand on the meaning of each of these objectives and our plans for carrying them out in the sections below.

Growing Services and Product Leadership

Driven by our thematic focus areas of Digital, Engineering, Cloud and AI as well as our industry-leading technology services and software portfolio, we continue to innovate and create sustainable differentiators that accelerate business transformation. **As the only service provider**

HCLTech Pavilion in the new brand colors at the World Economic Forum 2023, in Davos, Switzerland. The pavilion was fully powered by green energy.

rated as a Leader in all six Gartner Magic Quadrant reports related to IT services globally, HCLTech has clearly established itself as a leader in the industry, differentiating and creating a unique advantage for itself in the market. The ever-changing technology landscape continues to provide exciting opportunities for growth as we double down on our commitment to innovation and excellence to meet evolving needs of our clients.

HCLTech is using sports alliances to showcase its commitment to deliver business success and transformative experiences. Our partnership with the New York Giants, Jets and MetLife Stadium will demonstrate how our expertise in digital, engineering and cloud can enhance the fan experience, fostering deeper connections and driving digital transformation both inside and outside the stadium. Our strategic alliance with Scuderia Ferrari shows what we can do to enhance high-performance, precision technology for the world's most technologically advanced sport.

Driving Business Growth through People

Our global presence in 60 countries with over 225,000 employees from 161 nationalities provides a strong foundation for growth. We have a nearshore presence in 20 countries, where nearly four out of five employees are locals. We plan to double our headcount in these areas within the next three years. Recent expansion into new locations like Hungary, Costa Rica and Morocco further infuses our operations with local talent and sets us up for exciting growth potential.

> During the year, we were honored as the Top Employer in 25 countries and were ranked No. 1 in 18 of them.

We received multiple awards for our diversity, equity and inclusion practices. Our commitment to growth, diversity and excellence is reflected in our steadily improving gender diversity, which grew to 29.2% this fiscal year.

Driving Transformational Gains for Clients

HCLTech seeks to be the preferred digital partner for Global 2000 enterprises. Our success is attributed to our unwavering commitment to outstanding client engagement, reflected in our top quartile overall customer satisfaction (CSAT) rating. One of the world's largest software product organizations recognized us with a noteworthy award for a program we led that made its products accessibility-compliant and, more important, capable of providing a delightful experience to all users. We also helped transform a leading U.S.-based home furnishings retailer by partnering with it on a multi-year digital transformation journey. These successful collaborations are typical of the sort of relationships we forge with our clients.

As a top 10 global technology services company, we're excited to continue driving transformational gains and changing the game. We continue to harness the power of technology and our people to supercharge progress for our clients—driving outcomes at speed and scale. We remain committed to driving progress and delivering exceptional value in all our engagements. During FY23, HCLTech added three $100 million+ clients, taking the total number of $100 million+ clients to 19. The top 20 clients contribute 27.8% of the company's revenue.

Promoting Sustainability and Supporting Communities Globally

We embed sustainability into everything we do through a proactive strategy based on three guiding principles: Act, Pact and Impact. The success of this approach is reflected in our achievements such as replenishing 26 times more water than we consume, reducing per capita Scope 1 and 2 greenhouse gas emissions by 70%, achieving an "AA" rating in the MSCI ESG Rating, winning the Cisco Global Digital Sustainability Challenge for the EMEA region and being named one of the best-performing companies in our industry and region in Sustainalytics' 2023 ESG rankings.

HCLTech is committed to supporting communities globally and has developed a proactive corporate social responsibility (CSR) strategy. The HCL Foundation delivers our CSR agenda in India and has made significant strides toward its purpose of driving meaningful social change, positively impacting more than five million lives while harvesting 32 billion liters of water for reuse in communities. We are also supporting different social initiatives worldwide, through our global CSR councils, including extensive support to people displaced by the war in Ukraine, partnerships with Girl Up, Feeding America and One Tree Planted in the U.S., the Prince's Trust in the U.K., Apprentis d'Auteuil in France and the McGrath Foundation in Australia.

Driving Shareholder Value through Growth, Profitability and Efficiency

HCLTech is steadfastly committed to delivering top quartile total shareholder return (TSR) by focusing on sustained organic growth, better profitability, higher return ratios and efficient capital use. We aim to improve our margins to pre-COVID-19 levels over the medium term. We are also dedicated to improving our overall return on invested capital (ROIC). We continue to execute on the well-defined capital allocation of a minimum payout of 75% of net income cumulatively during FY22-FY26. With our decade-long, consistent track record of delivering top quartile TSR among our peer group, we are confident in our ability to continue generating value for our shareholders in the years to come.

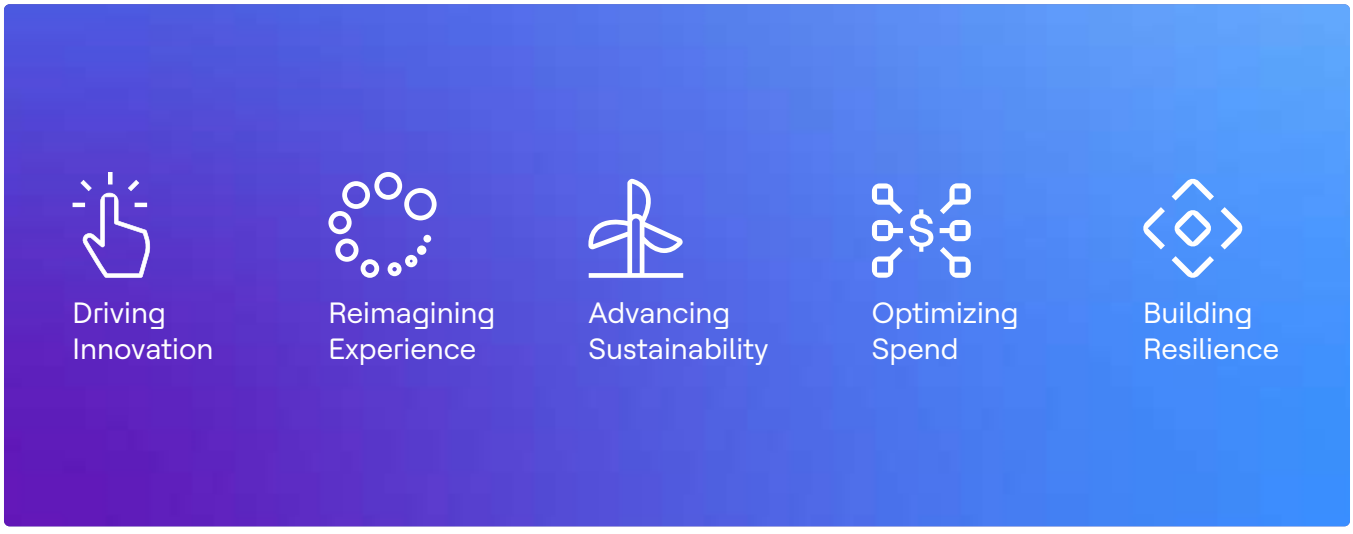
State of the Market

Technology continues to transform the way we live, work and play. Yesterday's desktop computers have given way to pocket-sized smartphone powerhouses. Today, artificial intelligence (AI)-powered solutions automate tasks and create high-quality content, saving businesses time and resources.

Augmented reality (AR) and virtual reality (VR) create immersive experiences tailored to individual needs. Internet of things (IoT) monitors critical equipment in real time, allowing us to fix issues remotely before they become problems. 5G networks deliver faster speeds and ultra-low latency, enabling effective communication and collaboration from anywhere. These technological advancements are transforming industries and creating new opportunities for investors to capitalize on the tech industry's ability to meet changing needs. We are excited about what lies ahead.

Client Imperatives

As clients adapt to the ever-evolving technology landscape, we see five key themes emerging as imperatives for clients as they seek out strategic partners to help them achieve their goals:



Driving Innovation

Enterprises are driving innovation by adopting technologies like artificial intelligence (especially GenAI), machine learning, automation, smart connectivity, blockchain and more. They're exploring new markets and business models to stay ahead of the curve. Capitalizing on the tech industry's growth potential and cutting-edge solutions is crucial to meet ever-changing market needs. Clients need partners with technical expertise and domain-centric solutions that can scale and offer flexibility to achieve their goals.

Reimagining Experience

Businesses are focusing on Total Experience (TX), which includes Customer Experience (CX), Employee Experience (EX) and Operational Experience (OX). Technologies such as GenAI, IoT, 5G and digital age elements like ecosystem and gamification drive efficiency and create seamless experience. Clients value domain and vertical knowledge highly as they search for the right technology partners to help them navigate complexity and make informed decisions.

Advancing Sustainability

Sustainability is more than a buzzword. It is a crucial business consideration that impacts long-term success. Technology is a key enabler of sustainability agendas, from value-chain transformation to reducing carbon footprints. Clients seek technology partners with expertise in execution of sustainability strategies like integrating ESG practices into supply chains and implementing smart energy solutions.

Optimizing Spend

Optimizing spend is a continuous journey toward creating value for all stakeholders. Clients focus on innovative business models, explore cost optimization tools and shift to asset-light models to increase efficiency and reduce costs. They seek technology partners with business model flexibility, technical expertise in cost optimization and end-to-end offerings.

Building Resilience

Building business resilience is a top priority for clients amidst constant disruption and uncertainty today. To achieve this, clients adopt agile methodologies, invest in innovation labs and prioritize technological resilience in areas such as cybersecurity and IT systems. They seek technology partners who can provide expertise and solutions in these areas and form strategic partnerships and alliances to stay relevant and innovative.

Cloud Transformation is a Multi-Year Journey

Embracing cloud as a part of continuous modernization is essential in the digital era. Capturing real value from cloud transformation is a massive market driver and one of the most significant areas of technology spending across all industries. With hybrid and multicloud strategies gaining popularity, the adoption rate of public cloud services is expected to multiply, presenting more opportunities for innovation and growth.

Talent Market Trends

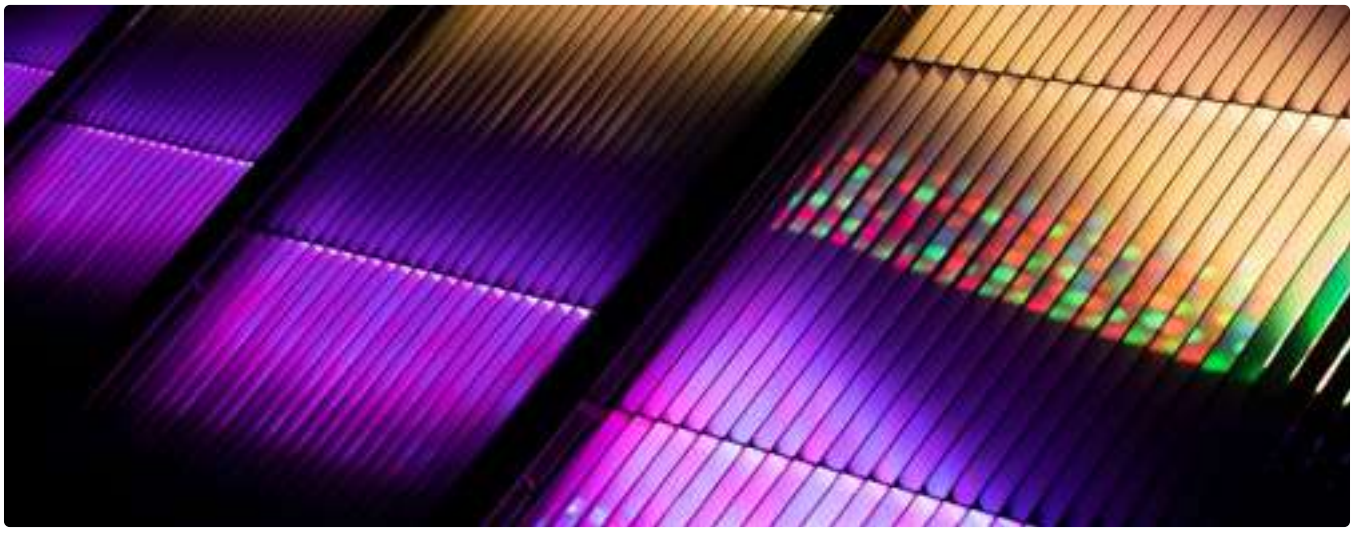
Today, most companies are aggressively innovating with respect to their global people practices. Demand for consulting and industry and technical skills like cybersecurity and digital engineering remains strong. Technology companies recognize that talent retention is critical. Employees want career opportunities on their terms and job experiences that enrich their professional and personal development. HCLTech has strengthened its employee value proposition in line with the market trends and business demands.

Market Opportunities

The economic landscape is stabilizing gradually, with favorable market opportunities for technology on the horizon. While inflation continues to erode consumer purchasing power and drive their spending down, overall enterprise IT spending is expected to remain healthy.

The IT services and software segments are projected to grow at 6.1% and 11.9%, respectively, over the next five years. While cost corrections and softening demand remain concerns–and there may be uncertainties in the near term–the technology industry is well-positioned for long-term growth with many opportunities for clients to innovate and thrive.

The technology market is rapidly evolving and the very definition of technology is expanding. Today, software, services and engineering need to work in tandem to deliver results for clients. This presents exciting opportunities for growth and innovation. Our diverse portfolio and scale position us well to take advantage of these trends and leverage our unique strengths to meet the evolving needs of our clients and supercharge progress for them in this dynamic market.



Our Business

HCLTech is committed to supercharging progress, delivering pioneering services and products that positively impact our clients, employees, communities and the planet. Our aim is to be the digital partner of choice for Global 2000 enterprises, while attracting top talent and delivering exceptional value. We're deeply committed to inclusive growth and sustainability in the communities where we operate. In this section, we present an overview of our expertise, business segments, ecosystem approach and strategic partnerships that enable us to provide end-to-end solutions for our clients.

With CloudSMART, HCLTech is reimagining the way enterprises leverage cloud.

Our Areas of Expertise

HCLTech leverages its expertise to provide solutions that address clients' traditional, transformational and future needs. Our **Digital** offerings deliver end-to-end solutions that boost business resilience, enhance operational efficiency and deepen client engagement. With HCLTech's **Engineering and R&D Services** (ERS), clients can improve time to profit, speed up product development and maximize return on innovation. Our **CloudSMART** services and offerings optimize cloud usage to accelerate innovation and agility at scale. HCLTech's AI expertise, especially **GenAI** capabilities, evolving in line with emerging market trends, is starting to enable enterprises to unleash another round of significant benefits, be it in reimagining client experience or enhancing employee productivity. Our **HCLSoftware** division develops, markets and supports software for digital transformation, data, analytics and insights, AI and automation, and enterprise security.

Ecosystem, Alliances and Partnerships

Today's business world is ecosystem-driven. Our ecosystem orchestrator approach has enabled us to be ahead of the curve and help our clients accelerate time to market, reduce total cost of ownership, minimize risk and supercharge progress. By leveraging our expertise and access to top clients, we help our ecosystem partners expand their market reach and drive business growth, contributing to the growth and sustainability of the industry as a whole.

Our **Strategic Alliance Ecosystem** partners with leading technology firms to create new, differentiated intellectual properties and solutions that accelerate our clients' digital, engineering and cloud journeys. Our **Industry Ecosystem** gives us access to industry forums and foundations to stay updated on the latest trends and challenges and to share our thought leadership. Our **Startup Ecosystem** leverages the creativity and innovation of startups to generate products and offerings that benefit our clients.

We partner with leading technology providers like Microsoft, Google, AWS, SAP, DELL, IBM and IBM Redhat, Cisco, Salesforce, Adobe, Intel and others to deliver innovative solutions to our clients. Together with our partners, in FY23 we launched new initiatives, co-engineered and co-developed solutions and created new training programs for our associates, resulting in multiple deal wins, new client offerings and analyst recognitions.

CloudSMART: Supercharging Cloud Transformation

HCLTech's CloudSMART approach helps clients navigate their cloud transformation journey with clarity and confidence. CloudSMART leverages ecosystem partnerships and cutting-edge technology solutions to provide independent consulting that enables businesses to create long-term plans to drive transformation at an accelerated pace and scale. With its suite of offerings and services, CloudSMART makes it easy for clients to pivot to the cloud, leveraging the latest validated architectures, standardized services and factory-based execution.

GenAI: Catalyzing Transformation

GenAI is poised to disrupt businesses with the potential to positively impact various domains including but not limited to IT services, software, silicon IC design and manufacturing, and IT operations. It centers around a deep collaboration between humans and machine algorithms. With a philosophy of creating, infusing, embedding and integrating AI from silicon to infrastructure, apps, data and business processes, HCLTech, with its engineering heritage, has been involved in co-creating AI technology stacks for the past two decades. At HCLTech, we are accelerating our work through a multi-pronged approach to unlock the potential of GenAI for our clients to derive utmost benefit. We are infusing GenAI in our solutions, providing services, working with ecosystem partners to drive innovation and offerings, and co-innovating with our clients. We are also in the early stages of evaluating and implementing GenAI in our own business operations to improve employee experience and drive efficiency.

Business Segments

HCLTech is structured as three business segments—IT and Business Services (ITBS), Engineering and R&D Services (ERS) and Products and Platforms (HCLSoftware)—that collectively address its clients' traditional, transformational and future needs. Overall, our services and product business grew in constant currency YoY at 15.8% and 1.8% (excluding divested business), respectively, in FY23.

IT and Business Services

The ITBS segment enables global enterprises to drive business transformation in an agile and sustainable manner, enhancing customer and employee experiences. It is the most significant contributor to HCLTech's overall revenue mix. In FY23, we posted strong revenue growth of 15.6% YoY in constant currency and an EBIT margin of 16.6% driven by solid growth across all service lines. ITBS comprises:

- Digital Business Services
- Digital Foundation Services
- Digital Process Operations
- EdTech Business Services

Digital Business Services

HCLTech's Digital Business Services (DBS) enables organizations to adopt new technology architectures, challenge existing ways of working and use data and analytics to achieve operational excellence and fundamental business transformation.

Our industry-specific technology solutions help clients transform their value chains through three focus areas:

- **Consulting** services focus on delivering experience and technology strategy and design to create innovative solutions that address the needs of our clients. We also offer business process re-design and optimization, empowering clients to reimagine their enterprise value chains. We facilitate effective change management within the enterprise through our agile delivery transformation approach, which includes operating model change and organizational flexibility.
- **Application modernization** services help customers redesign and modernize their applications and platforms via composable architectures, microservice services and cloud-based application consumption.
- **Data and analytics** services facilitate the modernization and creation of data platforms and the building of scalable data architecture that feature robust data governance and the ability to extract actionable insights through machine learning and artificial intelligence.

HCLTech's Digital Business Services achieved strong growth in FY23. This year, our ESG-related offerings gained wide acceptance. For example, we launched an industry-leading ESG platform for a large F100 aerospace company and a smart energy solution for a European client. In addition, we onboarded 10 new partners and strengthened

relationships with our existing partners including Snowflake, Adobe, Tibco, Alteryx and Salesforce.

Digital Foundation Services

HCLTech's Digital Foundation Services (DFS) forms the backbone of digital transformation journeys, offering core infrastructure services and next-generation digital solutions. DFS is the largest segment for IT services spending globally.

Our proven ability to execute at scale is why we are a trusted advisor and partner for 40% of G100 companies, helping them manage and transform their large and complex environments.

DFS offerings cover five areas:

- **Digital Workplace** services help clients build a personalized, adaptive and resilient workplace for their employees.
- **NextGen Networks** services help clients transform their enterprise networks into lean, agile and experience-centric networks.
- **Hybrid and Multicloud** services, from mainframe services to cloud-native deployment, help clients modernize their infrastructure.
- **Cybersecurity & Governance, Risk & Compliance (GRC)** services help clients identify, understand and manage security risks and compliance across the entire security life cycle.
- **Unified Service Management & Intelligent Operations** services deliver efficiency and greater supplier management synergy, facilitating the assessment of the right service integration and management model for customers.

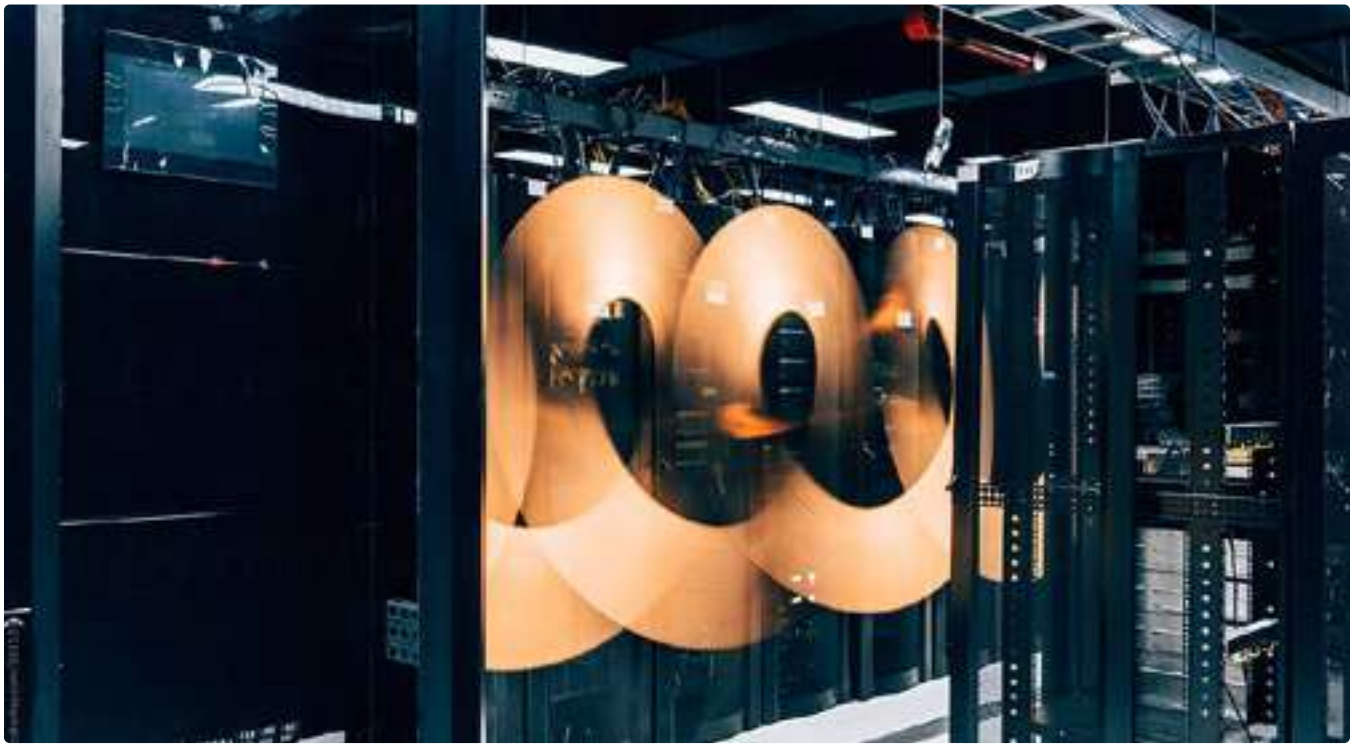
Digital Process Operations

Digital Process Operations (DPO) helps clients adapt to the digital age by combining our domain expertise, engineering capabilities and software stack. Our technology-led digital operations model reimagines operations across three digital stacks: **digital workforce, digital technology and digital process**. DPO's focus on transformational deals allowed us to serve over 100 clients, including many Global 2000 (G2000) and equivalent organizations. We are expanding our automation, AI and machine learning capabilities to continue providing comprehensive solutions to our clients.

EdTech Business Services

EdTech Business Services is a new addition to the ITBS segment, focusing on providing enterprise solutions for talent acquisition and mobility. We help clients set up technology and talent academies. Our Career Shaper Learning and Assessment Platforms offer immersive labs for coding, data science and engineering as well as Workware labs for cloud and cybersecurity simulations. We also provide Capstones—domain-infused real scenario projects—for experiential learning, and our Futurum™ platform for universities powers tech labs for future engineering and technology learning.

In its first year, EdTech Business Services garnered significant interest from many G2000 and equivalent companies and established strong partnerships with key players in diverse industries. These include a German multinational engineering and technology company, a



HCLTech had a massive presence at the Mobile World Congress 2023 in Barcelona, Spain, where it showcased cutting-edge solutions for 5G and beyond.

leading U.S.-based gaming corporation, a Dutch information services company operating in over 150 countries and a large global staffing organization.

Overall enterprise IT spending is expected to remain healthy, which bodes well for each part of ITBS. As digital transformation remains paramount for enterprises, we are well-positioned to capture significant market share and continue to deliver strong results for our clients and shareholders. Digital Business services' outlook is positive as we continue to see strong growth in value chain transformation, modernization and cost efficiencies through consolidation and cloud solutions. We anticipate strong demand for Digital Foundation Services, particularly in cloud, employee experience and cybersecurity. EdTech Business Services segment is well-positioned to benefit from the increasing demand for job-ready professionals who can adapt to new technologies in the workplace.

Engineering and R&D Services (ERS)

Our Engineering and R&D Services (ERS) spans the entire spectrum of digital engineering solutions across new product development, network engineering including network-as-a-service, collaboration services, software product engineering, data engineering, connected experiences and platform-as-a-service. We provide comprehensive solutions to help our clients develop digital, sustainable and next-generation products and platforms. HCLTech's Engineering and R&D Services (ERS) segment delivered a strong performance in FY23, with revenue growth of 16.8% YoY in constant currency and an EBIT margin of 20.2%.

HCLTech ERS portfolio includes:

- **Product engineering** services bring the engineering rigor to build scalable, complex and new products and systems, spanning the whole gamut of product life cycle management from conceptualization to design and development, support and sustenance and governance of processes such as release management and test automation.
- **Digital engineering** services help clients reimagine their businesses for the digital era, covering all areas of digital transformation, including cloud and data engineering, digital platforms, ecommerce, 5G services, AI and silicon platform services, spec-to-part services and more.
- **Operational technologies** play a crucial role in ensuring manufacturing resilience and enabling faster and more efficient responses to supply chain issues and changing market demands by modernizing infrastructure and processes.

We have been recognized as the No. 1 player in Everest Group's 2022 PEAK Matrix® Provider of the Year Awards for Engineering Services. We are the only service provider ranked amongs the top two in both Digital and Overall Engineering Services in Zinnov Zones Engineering R&D Services 2022 study.

HCLTech's ERS segment won several large deals for product, platform and end-to-end engineering services, and demand was high for digital engineering services. Notable deals include extending the engagement with a U.S.-based Fortune 100 technology services company for product engineering services, being chosen as a strategic partner for platform engineering services by a U.K.-based market leader and being selected by a U.S.-based multinational provider of workforce management and human resource management services as its strategic partner.

The demand for engineering services continues to be moderate in the near term. Digital engineering themes such as platform engineering, data engineering, 5G and connectivity, industry-next and sustainability are expected to continue attracting enterprise investments.

As geopolitical tensions, supply chain constraints and talent shortages continue to impact global enterprises, many are reevaluating their product design, manufacturing and servicing strategies. Investments in new technologies remain important but the focus has shifted toward scaling digital engineering programs and fully realizing their potential to drive top line growth across functional areas.

HCLSoftware

HCLSoftware is a leading provider of innovative technology and domain-specific solutions within niche segments that help drive customer efficiency and innovation. HCLSoftware achieved remarkable success in FY23, posting a revenue growth of 1.8% (excluding divested business) in constant currency and maintaining a healthy EBIT margin of 25.1% YoY. HCLSoftware's impressive performance is evident from its 6,800+ global customers, which include 65+ Fortune 100, more than 220 Fortune 500 companies and 235+ Global 500 enterprises.

HCLSoftware offers 75+ software products, including well-known brands like HCL BigFix, HCL Domino, HCL Unica and HCL Commerce, and works closely with 770+ business partners to create impact across enterprises in 130+ countries. HCLSoftware addresses business opportunities across four key markets, which are growing at a double-digit CAGR with an addressable market of approximately $100 billion.

1. **Digital Transformation:** HCLSoftware provides technology solutions that transform experiences for all stakeholders, supporting more than $210 billion of online business per annum and delivering marketing messages to one-third of the world's population. HCL Commerce, HCL Unica and HCL Volt MX are some solutions for this purpose.

2. **Data, Analytics and Insights:** HCLSoftware offers a trusted, flexible, easy-to-use data platform for better business management and analysis. The company's Actian Avalanche, Actian Ingres and Actian Zen are key offerings that provide 5X faster data warehouse on cloud and operate at a 50% lower TCO (total cost of ownership) than its nearest competitor.

3. **AI and Intelligent Automation** - HCLSoftware helps clients transform and simplify IT and business operations and achieve autonomous IT operations using offerings like DRYiCE, Secure DevOps and Automation Power Suite. This portfolio supports over one million servers on AIOps and over two million monthly conversational AI interactions across its customer base.

4. **Enterprise Security** - HCLSoftware's portfolio includes HCL BigFix and HCL AppScan, which protect the software that enterprises build or buy by securing from application to endpoint. The portfolio secures over 100 million endpoints daily, providing customers with peace of mind that their assets are secure.

Moving forward, we will continue to evolve our mix and offerings in each of these segments to better align with evolving spending patterns and the rapid growth of the digital market. Our commitment to innovation and excellence remains steadfast as we confidently pursue our purpose of driving positive change and creating a better future.

HCLSoftware's suite of offerings is fulfilling the transformative needs of our clients around the world.

Business Strategy

HCLTech leaders came together for the annual planning meet at Vienna.

Strategy, at its heart, helps an organization make choices and, more importantly, trade-offs. An effective strategy aligns stakeholders–clients, partners, employees, society and shareholders–to win together. This shared focus creates immense leverage for innovation and growth, because a countless number of decisions that happen every day across all parts of a business–product, customers, technology capabilities and more–reinforce one another. It is critical to have a clearly communicated strategy to make the right choices. Over four decades, HCLTech has built an organizational culture of empowerment and innovation. To unleash the creative potential of our people, our strategic definitions are not fancy, rather simple and clear.

> Our simple, clear strategy unlocks the passion and spark in each employee, promoting empowerment, entrepreneurial leadership and bold actions that lead to successful execution and strong performance.

We set forth a small set of priorities that are vital to our success and empower our people to use their creative spark to execute them passionately. Organizational leaders have that responsibility to translate strategy into guidelines that are simple and flexible enough to execute. Aligned to this approach we have identified five medium-term strategic objectives, mentioned earlier in the report.

We support the achievement of these strategic objectives using the following cornerstones:

Leverage HCLTech's Established Culture of Empowerment and Innovation

Our culture is both optimistic and realistic, which helps us maintain balance between ambitious goals and impeccable execution. Our simple, clear strategy unlocks the passion and spark in each employee, promoting empowerment, entrepreneurial leadership and bold actions that lead to successful execution and strong performance. We also encourage our employees to innovate and suggest ideas to seize novel opportunities, mitigate unexpected risks and adapt to local conditions, a process we call Ideapreneurship. Our culture of execution and innovation guided by strategy is our recipe for supercharged progress.

Talent is at the Center of Every Decision

As we serve some of the world's best-known businesses, we enable our people at all levels to enhance their skills,

gain a distinct advantage and supercharge their potential. We know that helping our clients stay on top starts by putting our people first. Our business model, operating structures, hiring and talent strategy are aligned to the personal and professional aspirations of our people. Our employee value proposition, 'Find your Spark,' is built on four tenets:

- Embracing next-gen work environment and culture
- Creating enriching job experiences
- Delivering employment our people can trust in
- Elevating employee experience: inspiring DEI, driving CSR and championing ESG engagement

Enablement to Drive Execution

Strategic objectives must be easy to communicate and achievable in discrete modules. In support of these goals, HCLTech breaks down strategic objectives into specific and multiple strategic initiatives that chart a clear path forward to success. To enable these strategic initiatives, there are a multitude of enablement frameworks in place, be it for knowledge management, collaboration or change management. During the financial year, we established a business enablement team to ensure cross-functional collaboration and issue resolution.

Beyond Benchmarking

Benchmarking is not a goal in itself but a means to achieving a strategic objective. HCLTech respects its competitors and best-in-class companies globally. Through benchmarking, we seek to discover best practices and achievements that are worth adopting. This is done on various aspects of our business with key priorities like stakeholder satisfaction, analyst recognitions, ecosystem competencies, financial performance and return metrics. We avoid relying on benchmarking for competitive convergence or to celebrate our achievements but to push us further to achieve our medium-term strategic objectives.

Embrace Next Generation Opportunities While Gaining from Current Generation

In order to spot disruptions early, be prepared for them and respond effectively, HCLTech has a structured approach of scanning thousands of market signals, identifying strategic risks and converting them into opportunities. This approach has helped us in being a pioneer in the remote infrastructure services industry, being the first services company to create a scalable and profitable products business and in building our breakthrough early career TechBee program for hiring students right after high school. Today, we are looking at opportunities emerging out of GenAI, sustainability and global supply chain realignment for future growth. While constantly looking out for such new signals in the market, we also look for profitable long-term growth opportunities in our existing businesses. This has been visible in continuing strong traction for our traditional services, while achieving industry-leading growth in digital propositions.

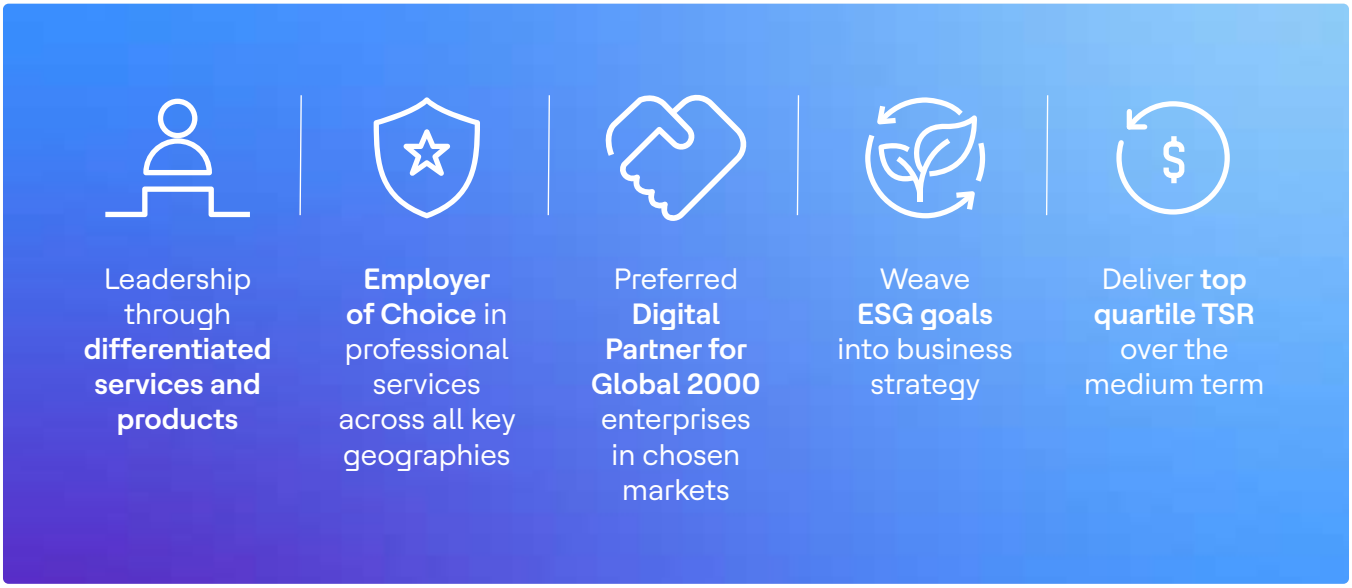
Align the Larger Ecosystem to Strategic Objectives

In addition to aligning everyone internally and getting the message out to managers and employees, we are focused on communicating our strategic objectives to key external stakeholders, including investors, clients, partners, potential employees and the community. This approach helps align our ecosystem of key external stakeholders by communicating precisely where we want to go. It also attracts clients, shareholders, talented people, organizations and communities willing to join us on our long-term journey.

Peter Drucker's epithet "culture eats strategy for breakfast" is often mentioned to reinforce the importance of culture. At HCLTech, through the intelligent integration of both, we are truly able to supercharge progress and deliver impeccable results.

HCLTech employees at Sacramento, California office collaborating on a project.

Medium-Term Strategic Objectives


Leadership through **differentiated services and products**
Employer of Choice in professional services across all key geographies
Preferred **Digital Partner for Global 2000** enterprises in chosen markets
Weave **ESG goals** into business strategy
Deliver **top quartile TSR** over the medium term

Strategic Objective 1: Leadership through **Differentiated Services and Products**

A successful technology business must create relevant and differentiated services and products to address enterprise client needs. The key ingredients are talent and innovation.

Companies that do not prioritize innovation or fail to build relevant portfolios aligned to client needs, usually plunge into oblivion.

When HCLTech produces outstanding services and products, the best people are attracted, for they know they will be involved in innovating with the latest technology to create services and products that make a positive impact. We feed this cycle through a culture of innovation based on ideas like Ideapreneurship.

HCLTech's service and product leadership helps create applications and systems that address key needs in society, such as sustainability, which can have a huge impact in making the world a better place. Making such a difference attracts both talent and clients.

In this section, we explain how HCLTech is accomplishing the strategic objective to expand its leadership through differentiated services and products.

A Global Leader in Services and Products

HCLTech embodies the DNA of the HCL Group, which was founded in 1976 and has been a pioneer in technology innovation in India. HCLTech's unique blend of capabilities and its success in building resilient enterprises firmly positions us as one of the most reliable partners in the technology services sector.

HCLTech has been a forerunner in ERS and infrastructure services. Over the last few years, we have also ascended to leadership positions in the digital, cloud and software domains. Leading industry analyst firms including Gartner, Forrester, IDC, Everest, Avasant, HFS, Zinnov and others recognize our continuous strategic evolution and deep-rooted strength in technology. Year-over-year, they have rated HCLTech as a leader in a range of specialized capability areas across service lines and industries. For example:

- HCLTech is the only service provider to be rated as a Leader in all six Gartner Magic Quadrant reports related to IT services.
- HCLTech is the No. 1 player in Engineering and R&D Services and the only service provider among the top two in traditional and digital engineering, recognized by Zinnov.
- HCLTech is a well-respected cloud migration and managed services partner. HCLTech is ranked as a Leader in HFS Horizons Cloud Native Transformation Services, 2022; a Leader in 2022 Gartner® Magic Quadrant™ for Public Cloud IT Transformation Services, Worldwide.
- HCLTech has strong momentum in digital services domains such as data management and analytics, app modernization and cloud transformation. HCLTech is positioned as a Leader in the Gartner® Magic Quadrant™ for Custom Software Development Services, Worldwide and a Leader in Avasant Digital CX Services 2022-23.
- HCLTech started India's first large-scale enterprise software business, which was profitable from day one.

HCL Commerce has been named as a Customer's Choice by Gartner in the digital commerce category. IDC MarketScape has recognized HCL BigFix as Leader across multiple segments of UEM (Unified Endpoint Management). HCLSoftware was named Challenger in the 2023 Gartner Magic Quadrant evaluation for Digital Experience Platform (DXP) and received the highest scores in the business to employee (BtoE) category of Critical Capabilities Report.

Sustaining Services and Product Leadership

The ability to differentiate through continuous innovation is the best way to create sustainable competitive advantage for technology firms. To sustain and protect our services and product leadership, we always seek to push the envelope by building new solutions and centers of excellence (CoEs), refreshing our software offerings, acquiring niche capabilities and investing in industry solutions, labs and partnerships. Here are the specific tactics we are employing to expand our leadership position:

Positioning cloud at the core of our service offerings: HCLTech is expanding relationships with hyperscalers and other key cloud technology providers to be the leading hybrid cloud consultant and managed service provider. To support medium-term growth, HCLTech is looking beyond cloud migration to create industry solutions with vertically tailored capabilities. We have a growing portfolio of cloud services, underpinned by intelligent automation and a comprehensive partner ecosystem. These capabilities cover the entire cloud spectrum – from platform engineering to cloud native deployment to mainframe services - and can be adapted to address our clients' specific requirements, maximize business value and facilitate a superior digital experience.

GenAI to drive next wave of growth: HCLTech understands the pivotal role emerging technologies like GenAI will play in unlocking value for its clients. We have been an early adopter of GenAI (for example, Teams Premium, Co-Pilot, etc.) to augment productivity of our developers and enhance our platforms and solutions. HCLTech sees GenAI as a promising and evolving field that has unlocked new services opportunities across four key domains for its clients:

- **Prompt Engineering:** Testing and refining prompts to optimize them for specific tasks
- **Data Engineering:** Creation and capture of GenAI-driven engineering insights
- **Integration and Orchestration of Intelligent Apps:** Orchestration across NLP, GenAI systems, knowledge systems for text, image, video and audio
- **Responsible AI:** An AI system that enables privacy and security besides other attributes like inclusion, fairness, accountability, reliability etc.

Moreover, HCLTech is closely working with all the major hyperscalers on their GenAI stack supporting various efforts through its GenAI Labs. HCLTech's GenAI Labs support teams in building solutions and services across various roles and domains including system engineering, process operations and support.

Expanding and evolving the partner ecosystem to enable growth: HCLTech accelerates creation of complete solutions for its customers by adding capabilities and ecosystem partners. Our partner ecosystem is carefully curated and tailored to meet the needs of specific industries. We also partner with the ecosystem developed through venture capital funds and private equity (PE) firms to ensure we connect with the latest technological developments as well as help their portfolio companies to scale up.

To sustain and protect our services and product leadership, we always seek to push the envelope by building new solutions and centers of excellence (CoEs), refreshing our software offerings, acquiring niche capabilities and investing in industry solutions, labs and partnerships.

Expanding services leadership: HCLTech's services leadership is rooted in how we help clients in driving outcomes at speed and scale by applying our expertise, experience and innovation ecosystem. While retaining our market share in traditional services, HCLTech continues to focus on growth opportunities in digital and next-gen services by launching new offerings and growing them organically and inorganically to effectively cater to client needs better. Along with investments in talent, innovation labs, new delivery location and world-class partnerships, we bring together the expertise and client-centric mindset to build capabilities and offerings to help clients reach their goals. HCLTech makes acquisitions to enhance its offerings. For example, Starschema was acquired to enhance its digital engineering capability and strengthen our presence in Central and Eastern Europe.

Developing vertical capabilities to address client needs: Service providers have much more credibility and success when they have deep domain knowledge on a client's industry. Such vertical expertise helps HCLTech identify, structure and implement new strategies for optimized digital value chains and better customer experiences. HCLTech's vertical knowledge is amplified by deep skills in experience design, industry capability definition, agile delivery transformation and organizational agility. HCLTech makes acquisitions when needed to enhance its vertical capabilities.

One such acquisition was Confinale AG, a digital banking and wealth management consulting specialist and an Avaloq Premium Implementation Partner, based in Zurich, Switzerland. Building upon HCLTech's expanded global partnership with Avaloq and leveraging this acquisition, Avaloq Business Unit (ABU) has been set up, delivering an expanded end–to–end portfolio, ranging from Avaloq platform advisory to implementation and post–implementation services, which strengthens HCLTech's position as a global leader in digital wealth and asset management.

Building niche product leadership: HCLSoftware is building a niche leadership identity for its software products. Vertically-focused technology investments and industry thought leadership have led to widespread adoption of its products and solutions within niche segments. A central product innovation capability supports all portfolios–including digital transformation, data, analytics and insights, AI and intelligent automation, and enterprise security–and seeks to maintain and expand HCLTech's niche leadership. Some of the ways by which HCLSoftware is leveraging GenAI capabilities are:

- Driving through usage of GenAI transformation of human-led and automation-assisted approach to automation-led and human-assisted approach across workload automation, operational intelligence, self-healing systems and self-service workflows.
- In partnership with hyperscalers, HCLSoftware is using GenAI and creating products that use pair programmer for code generation, test case generation to drive product velocity.
- HCLSoftware is also embedding its products like HCL PromptO, which provides automated prompt engineering, model chaining, code generation, LLMs optimization and document summarization, into its portfolio across digital transformation, AI and intelligent cloud and data, analytics and insights, including the four cloud vision (Business Cloud, AppDev Cloud, Automation Cloud and Data Cloud) and business strategy.

Perfecting service delivery: Great ideas and goals only become valuable to clients if they are brought to life through execution. HCLTech's mastery of technology is leveraged by its robust service delivery framework and effective talent management that have been developed and honed over many years and are embedded in our culture. HCLTech is able to execute projects in its clients' home countries as well as nearshore locations like Mexico and New Vistas locations in smaller cities in India, the U.S. and Europe. This broad menu of choices for how to design delivery of projects spread across many geographics speeds execution, stems attrition and brings more stability to operations and more value to clients.

Identifying and investing in next-gen offerings: HCLTech invests heavily in research using a variety of labs, frameworks, platforms and technologies and then seeks to capture that knowledge so that it can be reused in multiple engagements. We invest in creating labs, industry use cases, minimal viable product and proof of value experiments for customers using disruptive technologies such as AI/ML-enabled automation, quantum, 5G, confidential computing, sovereign cloud and open source.

Our Enterprise Technology Office (ETO) tracks, identifies and analyzes the emerging technologies and cutting-edge innovations that have potential to transform enterprises. The goal is to ensure HCLTech never falls prey to the "innovator's dilemma" by ignoring the disruptive impact of new technologies that can have a surprisingly large impact. By analyzing these trends and others, we can identify when emerging technology becomes relevant and actionable to help build differentiated products and services for our clients. ETO's current research focus includes AI, cloud, quantum computing, low code/no code, immersive experiences, 5G, humanoid robot collaboration and blockchain.

Cultivating innovation through Ideapreneurship: HCLTech is a globally recognized leader in the industry, but we've never forgotten our startup mindset. We always approach our work with an idea-first attitude, because each one of our accomplishments, no matter how big or small, can be traced back to a single spark of an idea. It's that spark, or the inner drive, that sets our people apart from our competitors. It enables us to pull off game-changing feats and better our world in the process. We help our clients stay on top by putting our people first.

We have many enabling platforms to create and sustain this people-centric culture. The practice of Ideapreneurship is one of the main pillars of our internal idea-driven mindset. Ideapreneurship has become a self-sustaining, self-inspired, innovation engine that drives HCLTech forward and prepares us as an organization of the future. Ideapreneurship is enabled by the Value Creation Portal, a grassroots innovation platform that brings together and organizes the diverse perspectives and experiences of our team. Over 28,000 unique employees leveraged Value Creation Portal in FY23, generating, reviewing and approving 15,000+ ideas and implementing 7,600+ ideas that delivered customer signed-off value worth $1.4 billion.

As part of our dedication to innovation, we work internally to build and maintain organizational muscle, coordinate large ecosystems, expand vertical domain knowledge, embrace new technology, acquire companies and aggressively identify threats and opportunities related to our services and products.

Awards for Vertical Industry Solutions

Awarded Partner of The Year for Life Sciences and Healthcare
by Microsoft for our focus on industry solutions and momentum shown in joint pursuits. We are also a strategic partner of Google in Life Sciences and Healthcare.

Named a Leader and Star Performer in Everest Group's
Application and Digital Services (ADS) in Property & Casualty (P&C) Insurance PEAK Matrix® Assessment 2023.

Positioned as a Leader
in ISG Digital Banking Services - Technology Transformational Services for Digital Banking in 2022.

Recognized as a Leader
in HFS Top Capital Markets Services Providers for FY22.

Positioned as a Leader
in ISG Provider Lens for Media and Communication Services – Communication Next-gen IT Services – U.S., 2022.

Positioned as Visionaries
in Gartner MQ for IT Services for Communications Service Providers, 2022.

Rated as a Leader
in IDC MarketScape for Manufacturing Intelligence Transformation, Consulting, Worldwide, 2022 Vendor Assessment.

Named as a Leader
in Avasant's Manufacturing Digital Services 2022-2023 RadarView™.

Received Frost & Sullivan's
2022 Enabling Technology Leadership Award in the Disruptive Aerospace Solutions, Global category.

Recognized in ISG
Provider Lens™ – Oil and Gas Industry – Services and Solutions 2022 - Leader in North America in Enterprise Asset Management, Next-Gen IT/OT Services, Data Management and Cloud Computing.

Recognized as Star Performer and Leader
in Healthcare Provider and Payer Digital Services PEAK Matrix Assessments 2022 by Everest.

Our employees at the Portugal office during a design thinking session.

Strategic Objective 2:
Employer of Choice in Professional Services Across all Key Geographies

Talent will always be the key differentiator for companies in the technology industry. Organizations with an effective, long-term strategy for attracting highly skilled and motivated employees and for training them in the skills needed to make progress will be the winners. Talent strategy is especially crucial for HCLTech because its global enterprise clients expect the best talent available to meet their challenges. Our multi-pronged talent strategy has proven to be quite successful and will ensure we maintain our position as an employer of choice around the world and as a leader in technology services and products.

HCLTech's Talent Today

HCLTech's current headcount reflects the success of the company's talent strategy. As of March 31, 2023, we had 225,944 employees across 60 countries. Total number of employees rose by more than 17,067 in FY23 and IT services voluntary attrition rate during that period fell from 21.9% to 19.5%. We have doubled nearshore headcount in the last three years and expanded our New Vistas locations.

HCLTech takes a hands-on approach to recruiting, seeking to directly engage and hire employees rather than use placement agencies. More than 75% of our hiring today is direct, which keeps us connected with the talent pool.

Global Recognition as an Employer of Choice

In FY23, various experts and analysts around the world recognized HCLTech as an employer of choice in professional services:

- Recognized as Top Employer in 25 countries by Top Employers Institute and rated as No.1 employer in 18 countries
- Included in Forbes list of World's Best Employers (2022) in Professional Services category
- Included in Seramount's Global Inclusion Index in 14 countries. Placement on the index recognizes HCLTech's efforts and commitment to the four focus areas of the Index: Transparency and Demographics, Best Practices in Recruitment, Retention and Advancement and Corporate Culture and Accountability
- Included in 2023 Bloomberg Gender-Equality Index for the third consecutive year with an above average score. This reference index measures gender equality across five pillars: Leadership and Talent Pipeline, Equal Pay and Gender Pay Parity, Inclusive Culture, Anti-Sexual Harassment Policies and External Brand

How Our Talent Strategy Works in Practice

Attracting and retaining talent as well as reskilling and upskilling employees in line with changing technology

landscape are critical to an organization's success. HCLTech's successful process for these employee goals is a major differentiator in the talent market. Our people practices are the outcome of years of work that resulted in key insights on how to attract and develop talent. Here's a quick tour of our priorities.

Focusing on Gen Z Hiring: A Requirement to be the Best

Our programs to attract and recruit Gen Z talent are a crucial part of our strategy and have given us a headstart as a leading employer for this generation. Gen Z employees represent 24% of our staff today and we expect this number to grow to 40% by FY25. They are attracted to companies committed to pursuing excellence and making positive contributions to the society at the same time. We have attracted Gen Z talent by focusing on our mission to help communities, increasing entry level hiring, improving on our DEI and ESG performance, creating a culture of trust and empowerment, offering a virtual-first, hybrid operating model, democratizing training and personalizing career paths. Such efforts enable HCLTech to supercharge the careers of Gen Z candidates.

Developing Entry Level Talent

HCLTech has doubled entry level hiring in the last three fiscal years. This has allowed us to engage with Gen Z candidates earlier than our peers. As part of this, our TechBee program seeks to recruit highly talented Class 12 graduates. Our career development framework ensures that entry level hires are adequately trained, provided opportunities to work on new challenges and recognized for their contributions, while also enabling them to pursue higher education.

Managing Careers of Rebadged Employees

Managing careers of rebadged employees, who are hired indirectly through client projects, is a crucial element to be addressed. We have a mature process for seamless onboarding of such employees to HCLTech. We have integrated more than 40,000 people across 50 countries so far.

Driving New Vistas and Nearshore Programs

Our New Vistas and nearshore programs are talent access models that allow us to leverage talent pools in India and new markets across the globe beyond the traditional centers. These programs bolster our track record of employing a local workforce and increasing diversity. New Vistas locations in India have expanded to support delivery operations of all our service lines and have higher talent retention rates. Employees from these centers account for 13% of our India headcount. We have nearshore operations with over 20,000 employees in 20 countries, including Romania, Sri Lanka, Philippines, Canada, Guatemala, Poland, Mexico and Brazil. We expanded our nearshore operations to Costa Rica, Morocco and Hungary in FY23.

Today, we operate from tier 2 cities like Lucknow, Madurai, Nagpur and Vijayawada, and intend to expand to more tier 2 and tier 3 cities in India. The workforce at these locations, which have much higher rates of talent retention, represents 13% of our India headcount. We have nearshore operations with over 20,000 employees in 18 countries including Romania, Sri Lanka, Philippines, Canada, Guatemala, Poland, Mexico and Brazil, and in Costa Rica, Morocco and Hungary, where we scaled operation in FY23.

At HCLTech, we are supercharging careers of our people by helping them find their spark.

Adopting a Virtual-first, Hybrid Operating Model

Our virtual-first, hybrid operating model allows our employees to work remotely when needed. This is a people-centric approach that offers increased flexibility, opportunity, access and empowerment to our staff. We believe this model enhances our managers' ability to drive productivity and performance and improve the employee experience. Our technical expertise in the digital workplace has enabled us to embrace hybrid workplaces effectively and efficiently.

Training the Talent

HCLTech's innovative approaches to training, reskilling and upskilling ensure its employees are future ready. In FY23, we trained nearly 70,266 employees in digital skills and 151,882 in core skills. Nearly 24,000 employees have benefited from behavioral and leadership skill development courses. Overall person-hours invested during this year is 9.4 million.

> Democratized training allows employees to self-enroll to gamified courses to acquire niche skills. As a result, internal fulfillment has increased and more than 15% of the demand in skills predicted to be in high demand are now fulfilled by upskilling.

HCLTech supercharges the careers of its people by offering abundant opportunities for training so that everyone has a chance to find their spark and grow. Democratized training allows employees to self-enroll to gamified courses to acquire niche skills. As a result, internal fulfillment has increased and more than 15% of the demand in skills predicted to be in high demand are now fulfilled by upskilling. Key areas for skill development include VR/AR/MR/metaverse, Web 3, AI, blockchain, edge computing, silicon as a platform and 5G/6G applications. Talent development centers of excellence have received a variety of awards and other recognition:

- Talent Development CoE won a gold award in Brandon Hall Group Excellence Award in the Best Advance in Creating a Learning Strategy Category 2022.
- "Leaders in Action" Certification Program won a bronze award in the Best Hybrid Learning Program category. This program strengthens the high potential leaders in middle management to be equipped with critical-to-success and future-ready competencies.

Improving Employee Experience

HCLTech views the reporting manager as the primary enabler of a positive employee experience. We support and train managers to succeed in this crucial role through a program of 360 degree assessments, which has been in place for more than a decade. To improve transparency of performance assessments, we have enabled business leaders with dashboards based on privacy, thus preserving methods for listening to employees. This allows managers to improve their communication and outreach and become more responsive to evolving employee needs and sentiments. Employees can also document their "wow" moments enabled by their managers that result in internal recognition at HCLTech, which encourages more positive behavior.

Nurturing Future Leaders

HCLTech consciously nurtures leaders within the organization. Through a structured process, every year we identify leadership positions that are more critical than others, leadership personnel whom we judge to be making a difference to our competitiveness, leaders who could be at attrition risk based on our analytics and leaders who have the potential to take on significantly more responsibilities. As part of our succession planning, we also identify immediate and medium-term successors for leaders two levels down from the CEO and higher. Our next-generation leaders are chosen systematically based on performance track record, leadership potential, credibility and possessing the necessary exposure to grow further. Next-generation leaders receive mentorship and training and then establish proof of readiness to prepare them for more responsibility. We have specific goals to generate future executive leadership from the next-generation cohort, including future women executive leaders. Our leadership is remarkably stable with extremely low attrition rate over the last few years.

Expanding Diversity and ESG

Employees expect HCLTech to be a leader in diversity and ESG. Living up to this expectation is a key factor in attracting top talent. HCLTech is committed to building a diverse workforce across multiple dimensions in a verifiable and measurable manner. Diversity progress includes:

- Hiring local talent in our geographies, which has increased the share of local employees so that now nearly four out of five employees in the major geographies we operate in are locals.
- Improving gender diversity from 28% to 29.2% during FY23.
- Establishing policies and guidelines to enable an equitable working environment for people with disabilities along with technological and infrastructural accessibility features.
- Running recruitment campaigns to bring LGBTQIA+ talent into the organization.
- Tailoring policies for regions: for example, establishing Martin Luther King Day as an HCLTech public holiday in the U.S.

We continuously benchmark ourselves in the Diversity, Equity and Inclusion (DEI) space and have received numerous awards.

DEI Awards Received by HCLTech:

- Recognized by The Times of India and Ask Insights as the Diverse Company of the Year 2022
- Received Brandon Hall excellence awards: Best DEI Strategy, Best Advance in Leading DEI Initiatives, Best Advance in Leadership Development for Women, Best Learning Program for Unconscious Bias Awareness and Best Use of ERG for DEI
- Included in 2022 Avtar & Seramount's 100 Best Companies for Women in India, "Exemplar of Inclusion" in Most Inclusive Companies' Index
- Included in Seramount's 2022 Global Inclusion Index. HCLTech Allearned a spot in 14 countries
- Recognized with Silver award in India Workplace Equality Index 2022

HCLTech also has mature ESG programs that deliver long-lasting impact through our actions as a company and through our pacts with stakeholders for a more sustainable future. Our commitment to ESG through Act, Pact and Impact is fueled by employee volunteering, which is supported by policies and a strong culture of contributing to the community.

Simplifying Processes and Systems

As our hiring and employee management processes have become digitized, HCLTech is engaged in comprehensive efforts to simplify its policies, processes and systems of administration and approval. We strive to make the employee-organization interface as transparent, frictionless and satisfying as possible. This journey involves restructuring hire-to-retire processes to enable quicker onboarding, creating an intuitive user interface, adding more support from analytics and data science and increasing self-service through automation and bots.

Our holistic approach toward talent strategy, our relentless focus on training our employees and our efforts to diversify our talent pipeline to be future ready have continued to put us at a position of strength in the market. We will sustain our efforts to nurture and empower our employees to ensure that they continue to deliver extraordinary experience and supercharge progress for our clients.

HCLTech is committed to building a truly diverse and inclusive organization.

Strategic Objective 3:
Preferred **Digital Partner for Global 2000** Enterprises in Chosen Markets

HCLTech seeks to be the preferred digital partner for Global 2000 enterprises, a strategic objective aligned to the long-term value of building deep, strategic client relationships as a trusted partner. About 70% of enterprise IT spending comes from G2000 or equivalent firms. Around 85% of the global technology spend comes from 15 countries.

HCLTech seeks to identify companies that have, or will have, large technology budgets for transformative technology adoption. In addition, we have identified a set of fast-growing or large countries, apart from our core geographies, for future growth as focus and new frontier markets. We are selective about the kind of clients we want to pursue in order to align our resources to the most profitable and scalable markets and support high growth. Our clients demand the best of technology and have a high bar for the quality of people and services. Meeting these expectations helps HCLTech raise the bar internally, which strengthens its talent, leadership and brand.

Our Client Universe

To identify potential clients for our services business, we focus on G2000 and G2000 equivalent companies such as privately held or government-owned entities. We also have a special program to work with the fastest-growing digital-native companies that are on a rapid growth track toward achieving G2000 status. This ensures we engage early with the right clients and don't miss out on potential growth opportunities. HCLSoftware has its client universe which is broader and is consistent with the business objectives of a software business.

Our Geographic Markets

HCLTech has categorized geographical markets by size, growth stage and its participation rate.

Core markets represent the regions that are large technology consumers and where HCLTech already has a strong base, such as the United States, United Kingdom, Nordics (Sweden, Finland, Norway and Denmark), Singapore and Netherlands.

Focus markets represent geographies where the technology spend is already significant and companies are increasing their outsourcing and offshoring. Germany, Australia and New Zealand (ANZ), Canada, France and Japan are classified as Focus markets.

New Frontier countries are the fastest-growing countries with large economies and growing technology spend, especially digital spend. HCLTech has a growing presence in these markets, which have huge potential. These are Mexico, Brazil, Iberia (Spain and Portugal), Taiwan, South Korea, the Middle East and Vietnam.

FY23 Revenue Profile

HCLTech's current revenue comes from a healthy mix of clients spread across numerous verticals and geographies.

Over the last five years, the company has added a substantial number of marquee clients across various revenue categories. During this financial year, HCLTech added three clients in the $100 million+ category, three clients in the $50 million+ category, 13 clients in the $20 million+ category and 104 clients in the $1 million+ category. HCLTech ended FY23 with the number of $100 million+ clients at 19, with its top 20 clients contributing 27.8% to the company's revenue.

HCLTech's services revenue growth of 15.8% had significant contributions from all major verticals, led by the Technology & Services vertical and the Telecom, Media, Publishing and Entertainment verticals, with which grew by 22.5% and 22.4% respectively, in constant currency. In terms of geographic revenue growth, Europe, Americas and the rest of the world (RoW) registered 20.5%, 14.4% and 11% growth respectively in constant currency.

Client mix by revenue contributions

Client category	FY22	FY23
$100 million+	16	19
$50 million+	43	46
$10 million+	208	229
$5 million+	349	375
$1 million+	882	939

FY23 contributions across verticals

- Financial Services 20.7%
- Manufacturing 19.1%
- Life Sciences and Healthcare 16.9%
- Technology and Services 14.9%
- Public Services 10.2%
- Retail and CPG 9.1%
- Telecommunications, Media, Publishing and Entertainment 9.2%

Key Wins

HCLTech won 50+ large deals in FY23 across services and products. Here are some of the most significant deals:

- A U.S.-based financial services company selected HCLTech as its preferred partner for the transformation and modernization of its IT landscape across the annuities, life insurance, health insurance, advice and CRM portfolios.
- One of the largest healthcare services providers in the U.S. selected HCLTech as its strategic technology partner in a multi-year engagement to manage end-to-end technology operations.
- A European health and bioscience company signed an integrated IT-led business transformation deal with HCLTech.
- A U.S.-based Fortune 300 financial services company selected HCLTech to lead its global technology transformation program.
- A leading multinational toy manufacturing and entertainment company selected HCLTech to enable its future direction and product operating model along with continued digital transformation journey.

- The ODP Corporation selected HCLTech as its primary IT partner to manage end-to-end IT operations and enterprise-wide digital transformation.

Go-To-Market Overview

HCLTech's go-to-market (GTM) strategy has been honed over decades to identify the best way to reach the most desirable client companies and cater to their needs. Our multi-pronged approach supports GTM programs focused on business segments, verticals, geographies and ecosystems.

Each business segment has its own GTM organization focused on the client stakeholders and their needs. Inside each geography, vertical-led sales organizations help make sales that require domain expertise, dynamic technology architecture and resilient go-to-market strategies. The vertical sales organization covers all major verticals and has been a key contributor to HCLTech's industry-leading financial performance.

The services and products that are brought to market are constructed by a team of seasoned solution architects, subject matter experts and business development leaders with strong domain expertise. These teams work closely with clients to develop and implement service offerings, products and platforms to address business challenges leveraging the technology solutions.

When needed, HCLTech's offerings are developed and delivered in collaboration with its strong global network of ecosystem partners.

Our priorities for being the preferred digital partner

We pursue the objective of becoming the digital partner of choice for G2000 companies through a comprehensive approach. Here are a few of the specific ways HCLTech is working to achieve this objective.

Expanding Our Leadership through Differentiated Services and Products

In order to be the preferred digital partner of the G2000, HCLTech must excel across all strategic objectives. Each one of the five strategic objectives support, amplify and reinforce one another. The objective to expand our leadership by providing great services and products supports our efforts to be the preferred digital partner of the G2000 by providing our teams with the ingredients to solve the most complex challenges. The ability to deliver is the cornerstone of attracting and keeping high quality G2000 clients. By mastering cloud and emerging technologies, creating vertical competencies, making selective acquisitions, promoting innovation through Ideapreneurship, supporting a partner ecosystem, perfecting service delivery and building our own enterprise software products, HCLTech offers a wide range of services and products for G2000 clients.

Listening and Learning from our Clients

HCLTech's Customer Advisory Board (CAB) consists of CXOs from our most strategic accounts across a variety of industries with varying tenures of working with HCLTech. The CAB member perspectives, insights and directional guidance help HCLTech better address customer needs and ensure our value propositions and services continue to deliver real value to our customers. The CAB provides a forum where clients can learn from the experiences and best practices of their professional peers in other industries. By creating a platform for continued learning through sharing of best practices, the CAB ensures that HCLTech will continue to be considered the partner of choice as members explore and implement next-generation solutions.

Maintaining a Consistent Client Cadence

Through a governance framework called CREST, HCLTech has institutionalized the process of cadence meetings, the process of checking in regularly with clients. Across all engagements, CREST provides a supporting technology platform to initiate a dialogue with clients and understand how HCLTech can help them achieve their goal. CREST works along with various tools and processes that allow for comprehensive account planning and reporting and to keep all stakeholders engaged on the same agenda.

Listening Through Client Satisfaction Programs

HCLTech measures and promotes client satisfaction through a variety of programs to track various customer satisfaction indexes (CSATs). Project CSAT (PCSAT) is used to monitor client satisfaction for each project. Once a year, an independent third party conducts an account-level CSAT (ACSAT) to provide a health check on client engagement and relationships, benchmarked against competitors. Clients have the option to remain anonymous and share candid feedback. As part of this program, every entity at HCLTech gets a computed CSAT, a net promoter score (NPS) and a synopsis of client feedback to help it improve and work on specific requests from clients.

> The CSAT program has helped HCLTech increase its overall client experience index to the top quartile and maintain that position in the last few years.

Enhancing the Go-To-Market Ecosystem

Advisors and analysts who help identify client priorities and recommend roadmaps are as important as our clients. We have dedicated programs to ensure that this important group is kept abreast of our propositions and that we learn from them. Our programs to work with industry analysts, sourcing advisors and deal consultants help us:

- Obtain market and customer insights so that HCLTech is able to effectively refine current offerings and develop new offerings that are most relevant for clients and prospects.
- Establish HCLTech as an industry leader in Digital Services, Digital Foundation Services, Engineering and R&D Services and HCLSoftware through effective engagement with this community.
- Share HCLTech's strategy and investment priorities for supporting client growth so that analysts and advisors are able to clearly articulate HCLTech's value proposition to clients and prospects.

Developing Client-facing Talent

HCLTech is committed to developing go-to-market sales, practice and delivery teams and training the right leaders for the right roles. HCLTech's sales development programs equip sales teams with the tools, training and knowledge to empower them to become trusted advisors to the client. The programs also help them to hone their skills to serve existing clients effectively.

Improving Business Enablement

HCLTech's enablement framework supports the sales and solutions teams by providing them with modern technology platforms, simplified business processes and advanced analytics. For example, our integrated visibility platform enables sales organizations to create, manage and review opportunities in real time including all relevant market intelligence. Other systems help automate and streamline account planning, invoice generation and account-based marketing. An internal knowledge management system helps increase organizational learning and collaboration among team members to facilitate faster decision-making and achieve competitive advantage.

Positioning for the Future

The company's brand transformation establishes a new, distinctive identity underpinned by a compelling brand purpose, position and narrative of Supercharging Progress, reflecting its commitment to clients, people, communities and the planet. This positioning emphasizes our differentiated services, products and platforms as transformation superchargers for businesses at speed and scale. Our employee value proposition, 'Find Your Spark,' complements our external brand and positions us as a global employer brand of choice to attract the world's top tech talent.

The reinvigorated brand has galvanized the company and is at the heart of our business go-to-market, talent outreach, employee engagement and commitment to communities and ESG imperatives.

HCLSoftware's Go-To-Market Strategy

HCLSoftware serves both enterprise and mid-market clients through a direct sales organization, channel partners and embedded offerings through OEM providers. HCLSoftware's GTM strategy is designed to address the unique characteristics of its sales process and target market. The following are our focus areas to ensure future success:

- **Shift to XaaS model and Subscription Pricing:** We now have as-a-service model along with subscription-based pricing model for enabling better value and experience for its customers. This is expected to mutually benefit customers as well as HCLSoftware in terms of business growth.
- **Renewed Business Partner Strategy:** HCLSoftware is revamping its business partner strategy and some of the initiatives underway are personalization of the partner portal, setting up of training academy for Business Partners, etc.
- **New Marketing Initiatives:** HCLSoftware is moving on a path to product-centric launches and marketing initiatives across geographies. These are focused on joint marketing campaigns with business partners and focused efforts on brand building and positioning of products. This is expected to boost customer mindshare and preference for HCLSoftware products.
- **Industry Cloud as part of Product Strategy:** HCLSoftware is moving forward with an AI-based cloud strategy for moving to industry-oriented clouds to handle the existing expansions and address the new market opportunities swiftly.

By executing on all the strategic objectives and the programs just described, HCLTech creates the conditions in which G2000 and G2000-equivalent firms will overcome their most vexing challenges and transform their businesses with our offerings.

HCLSoftware is accelerating Scuderia Ferrari's digital transformation journey.

HCLTech's ESG initiatives are helping local communities make significant progress.

Strategic Objective 4: Weave **ESG Goals** into Business Strategy

We have made Environmental, Social and Governance (ESG) factors, aligned with United Nations Sustainable Development Goals, an integral part of our business strategy. By leveraging our sustainability expertise, we want to achieve two objectives: to meet our own sustainability goals and to help our clients achieve their sustainability goals and create a positive impact for all stakeholders. We believe there is a tremendous business opportunity to address client needs in this space and we are evolving an integrated value proposition.

Our Approach and Goals

We anchor our sustainability approach to three guiding principles:

- **Act:** Acting in the most responsible and sustainable manner and ensuring every resource is used efficiently to maximize value.
- **Pact:** Working for a sustainable future, in collaboration with our clients, partners, communities and all stakeholders.
- **Impact:** Focusing on creating sustainable impact through all initiatives and activities.

We have targets for each ESG focus area. We have set ambitious environmental goals to help combat climate change including achieving net-zero emissions by 2040, reducing absolute scope 1 and 2 emissions by 50% by 2030 and using 80% renewable energy by 2030. We also intend to maintain zero discharge and waste to landfills from our facilities. Our social goals involve improving ESG knowledge and gender diversity, with a target of 40% women in the workforce and 30% gender representation in senior leadership by 2030. Lastly, our governance goals include strengthening our sustainable supply chain, integrating ESG into risk management and internal audit and becoming a recognized leader in information security and data privacy.

Achievements

HCLTech made significant progress toward its sustainability commitments (see our Integrated Report). One key initiative is the HCLTech Sustainability School launched in November, 2022. This program includes a comprehensive climate literacy learning series developed by AXA Climate, designed to raise awareness of climate change and its impact on the environment and communities. Through the HCLTech Sustainability School, we have provided an opportunity for all our employees with tools to learn to reduce their carbon footprint and positively impact the environment, thereby becoming sustainability champions.

Recognitions

Our ESG approach was recognized by top global assessment platforms and investors, including Sustainalytics, S&P CSA, FTSE4Good Index Series, MSCI, CRISIL, EcoVadis and ISS. HCLTech was designated an Industry Mover in the S&P Global Sustainability Yearbook 2023 and received an "AA" from MSCI ESG Rating. We were also named one of the best-performing ESG companies in our industry and region by Sustainalytics and received the highest "A" rating from CDP for Supplier Engagement on Climate Change.

Corporate Social Responsibility – HCL Foundation

HCLTech integrates corporate social responsibility (CSR) into the core of its business, aiming to contribute to the socioeconomic and environmental advancement of the planet, while adhering to the UN global Sustainable Development Goals (SDG). Our new brand positioning—Supercharging Progress—emphasizes the importance of delivering swift, scalable and sustainable value to our "Communities" and "Planet" alongside "Clients" and "People." Our Global CSR Policy focuses on environment, health, education and disaster risk reduction and response. The HCL Foundation leads our CSR efforts in India where its initiatives have impacted more than 5.13 million lives. In addition, the Foundation helped harvest 32 billion liters of water, contributing to the conservation of natural resources in the region.

Helping Enterprises Achieve Their Sustainability Goals

We help leading global enterprises achieve sustainability goals by leveraging our digital transformation expertise and sustainability-focused solutions. We understand the unique challenges enterprises face in their sustainability journeys, including regulatory compliance, circular supply chains, process transformation and technology systems. As a trusted partner, we collaborate closely with our clients to help them proactively act on sustainability initiatives across their entire value chain. Our deep understanding of materiality considerations and business processes enables us to execute sustainability strategies that drive real impact and create long-term value for all stakeholders.

Supercharged HCLTech volunteers during the One Tree Planted plantation drive in Brazil.

HCL Foundation is working with local communities to provide education opportunities to the underprivileged.

We provide the following offerings as part of sustainability services as part of our engineering offerings:

Sustainable Product Design and Engineering

- Designing sustainable products to extend their life cycle, improve reliability, reusability and recyclability
- Utilizing digital twin, extended reality (XR) and simulations to reduce material waste and carbon emissions during the design phase

Sustainable Manufacturing and Operations

- Improving productivity and reducing waste through logistics and material flow optimization, plant layout design and optimization
- Offering predictive maintenance solutions to avoid potential equipment issues and costly downtime

Sustainable Packaging

- Designing sustainable packaging to enable reuse and return of packaging materials
- Using material engineering to incorporate recyclable or biodegradable materials in packaging

Sustainable Supply Chains and Ecosystem

- Developing a digital platform to enable a circular economy
- Implementing environmentally responsible sourcing and supplier screening
- Providing an online marketplace to buy, sell and offer new data-led services for waste, recycled or remanufactured materials and products

HCLTech's sustainability approach is a three-step process that includes:

- Assess and advise
- Reimagine and re-engineer
- Reporting and insights

Our Simplified ESG Analytics Platform, for example, integrates data from external ESG data providers, providing end-to-end analytical and reporting capabilities. Meanwhile, our Track and Trace IoT and Business Process Management solution helps clients optimize delivery routes, reducing fuel consumption and greenhouse emissions. Our AR Remote Assist solution enables remote site visits, reducing emissions and costs. Our partnerships with AWS, Azure, Waterplan and Winnow help us create bespoke ESG solutions for clients. With our CloudSMART approach, we help clients reimagine their cloud journey with a sustainability-first mindset, driving down emissions and improving overall sustainability.

We are committed to driving sustainability not just within our own operations but also by helping our clients achieve their ESG goals. Our comprehensive suite of sustainability-focused solutions and services combined with our own ESG initiatives enable us to make a positive difference in the world. Together with our clients, we can contribute to a more sustainable and equitable future for all.

Prateek Aggarwal, Chief Financial Officer, HCLTech, at the U.S. Investor Day, sharing insights on the company's performance and growth plans.

Strategic Objective 5: Deliver **Top Quartile TSR** over the Medium Term

HCLTech is one of the world's largest technology services company by market cap as of March 31, 2023, thanks to the market's trust in our differentiated offerings, strong client base and ability to deliver. For the past decade, we've delivered the top quartile total shareholder return (TSR) among our peer group. Our commitment to growth, profitability, return ratios and intelligent use of capital will help us continue this trend and deliver top quartile TSR. To drive toward this goal, we focus on the following strategic priorities:

Organic Growth

HCLTech's growth strategy centers around seizing opportunities in markets worldwide. A consistent and sustainable pipeline resulted in winning $8.85 billion new deals in FY23, an increase of 6.6% over FY22. Over the last 10 years, our revenue compounded annual growth rate (CAGR) of 10.7% in constant currency has been much stronger than the industry. In the past two years alone, we expanded our reach to more Focus and New Frontier markets and increased our focus in Core countries. This resulted in strong growth in our business segments–IT and Business Services (ITBS), Engineering and R&D Services (ERS) and Product & Platforms (HCLSoftware)—which saw growth rates of 15.6%, 16.8% and 1.8% (excluding FY22 divestments) respectively in constant currency during FY23.

Sustainably Increasing Profitability

We aim to improve our profitability range to pre-COVID-19 levels over the medium term. To do so, we are doing the following.

We invested in new talent at HCLTech, ramping up our entry level hiring from 5,911 in FY19 to 22,859 in FY22. In FY23, HCLTech hired 26,734 freshers, with a good portion of people (over 18%) recruited through its unique TechBee program. This initiative involves hiring the best high school graduates worldwide and providing them with relevant skills to perform assured entry level IT jobs within HCLTech while enabling them to pursue university education through partner institutions.

To ensure efficient operations, we are streamlining our processes for freshers and laterals, focusing on improving the time to bill by investing in pre-employment training through online programs or partnerships with educational institutions. By optimizing our hiring and training engines, we can improve utilization and better serve our clients.

We expanded our global reach by investing in 20 new delivery locations with a total capacity of approximately 22,000 people. This enables us to leverage local time zones, language and cultural affiliations while operating in proximity to our clients to minimize risks. Through these nearshore delivery locations, the company can serve clients in a more cost-efficient manner. Automation tools and software further minimize manual effort and increase efficiency. We intend to double our nearshore headcount in the next few years to serve clients with a flexible delivery approach.

Prudent Capital Allocation

We are committed to improving our return on invested capital (ROIC) and have also meaningfully improved the disclosures on this important metric. The overall ROIC for HCLTech is 30.4%, up 150 bps YoY in USD terms. The ROIC for HCLTech Services and HCLSoftware are 37.3% and 15.5% respectively.

Medium-Term Payout Commitments

In October 2021, the HCLTech Board announced a clear plan for allocating capital over the next five years. According to this plan, at least 75% of net income would be paid to investors cumulatively from FY22 to FY26. In FY22 and FY23 the company had a payout ratio of 88% and 87.5%, respectively.

Selective Acquisitions

Our approach to inorganic growth opportunities is disciplined and pragmatic. We focus on building scale and capabilities through small, selective acquisitions that enhance our capabilities, improve speed to market, expand strategically important geographies and complement existing product offerings. In keeping with these priorities and our commitment to organic growth, we have not made any large acquisitions in the past four years. Our Integration and Performance Management Office ensures smooth integration and rapid value creation by coordinating internal stakeholders responsible for the integration process.

Working Capital Management

HCLTech manages its money efficiently, invoicing and collecting payments quickly to reduce the amount of money tied up in working capital. The company has maintained a superior OCF/NI conversion rate as compared to its peers at an average of ~127% over the last five years and will sustain robust cash conversion average for the next two years at ~120%.

Investor Relationships

HCLTech values regular communication with investors and analysts and have made it an integral part of our core governance philosophy. We believe our investors and analysts add significant value to our business strategy through their insights. We demonstrate this through our increased commitment to market engagement with various measures that include benchmarking our disclosure norms and improving them on an ongoing basis. We also host regular sessions with investors and analysts, including two held this financial year in Mumbai, India (May, 2022) and New York, U.S. (December, 2022).

Vijay Guntur, President, Engineering and R&D Services, HCLTech, at the Investor Day in Mumbai.

Risk Management

At HCLTech, we understand the importance of risk intelligence and management to achieve our strategic objectives, protect stakeholder value and deliver quality services to clients.

The ERM program is based upon ISO 31000:2018 Risk Management standard and COSO ERM Integrated Framework. In addition, our Risks Intelligence framework helps in identifying and managing the external risks covering the PESTLE (Political, Economic, Social, Technological, Legal and Environmental) factors. This enables HCLTech to effectively manage the diverse categories of risks that may impact our strategic plans and provides an environment to bring together the best of technology and our people to supercharge progress for our clients, people, communities and planet.

Risk Governance and Oversight

Our risk management organization is structured to integrate risk management practices seamlessly with our business strategy and operations:

The Risk Governance and Oversight function is led by the Board of Directors and Risk Management/Audit Committee, which plays a pivotal role in framing and reviewing our ERM policy as well as identifying and assessing key business risks of our organization.

The key executives and working officials of the company share responsibility for managing risks through the risk committee and risk ownership. The ERM initiative is driven across the organization by the Risk and Compliance Apex Committee (RCAC), Chief Risk Officer (CRO), ERM Working Group and Risk Owners.

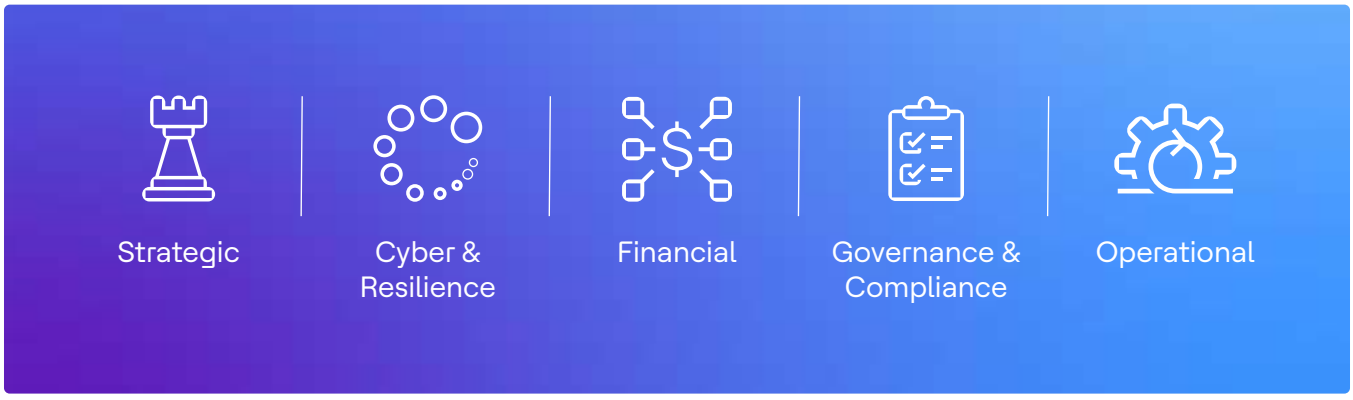
Risk Owners are individuals who understand a given risk better and can contribute mitigation of the risk. The Risk Owner is typically a senior executive from a line of business (LOB) or enabling function responsible for driving and monitoring the progress of mitigation strategies. The Risk Owner is also responsible for coordinating risk management activities for their respective LOBs, enabling functions and geographies and facilitating the flow of information to the ERM Working Group.

Risk Governance Structure

Risk Governance & Oversight
Board of Directors
Tone at the top
Transparent risk oversight
Setting culture toward effective risk management
Review the risk appetite of the company on a periodic basis
Audit Committee / Risk Management Committee
Review the adequacy of risk management system
Monitoring the environment for risks / opportunities
Assist the Board in framing, implementing and monitoring ERM plan
Risk Committees and Management
Risk and Compliance Apex Committee (RCAC), Chief Risk Officer
Lead the risk management initiative
Ensure key risks are brought down to acceptable levels
Assist the Board and the Executive management in determining organization's ERM objectives and direction
Implement risk reporting mechanism
Risk ownership
Enterprise Risk Management Working Group
Facilitate execution of ERM practices in the enterprise
Working with business and risk owners in deploying mitigation strategies
Periodic update to the executive management
Line of Business – Risk Owners
Timely updates and review of risk register
Implement risk management initiative based on management directions
Ensure preparation of suitable mitigation plan

Our Risk Universe

HCLTech has classified its risk universe into five categories: Strategic, Financial, Cyber and Resilience, Operational and Governance & Compliance as visualized in the accompanying graphic. Primary risks under each of the categories and their mitigation measures are discussed below.



Strategic Risks

Primary Risk	Details	Mitigation
Business Model	HCLTech operates in a fast-paced industry where failure to keep up with changing client needs, attracting quality talent and adapting to evolving operating models can jeopardize business growth. Additionally, emerging technologies like GenAI present both a threat to the existing business model and an opportunity to offer new services.	• We have invested in identifying trends ahead of the curve to build capabilities and ensure a comprehensive portfolio, maintaining our position as a leader in services and product offerings. • Utilizing our entrepreneurial DNA and a robust organizational change management process, we have made timely structural and cultural adjustments to transform our operating model and unlock new value. • To attract quality talent that can adapt to changes in our business model, we provide best-in-class employee benefits and career growth opportunities.
Business Concentration	HCLTech faces a risk when clients are concentrated in a particular business segment or industry vertical or region. Any adverse impact to that region or industry could pose a risk to the company.	• As part of a long-term strategy to align with market demands, our vertical share is well-balanced and continuously evolving. • We are gradually shifting our business portfolio mix toward digital business, which now accounts for over 50% of our services growth, while still maintaining a balanced mix with ERS and Digital Foundation. Our unique software business further enhances our portfolio mix, setting the company apart in the services-heavy industry. • We have reduced the risk of dependence on any specific region or by expanding into new geographies known as Focus and New Frontiers.

Primary Risk	Details	Mitigation
Business Delivery	HCLTech faces a risk from constraints on service delivery due to technological limitations, pandemic, geopolitical developments, or the availability of talent. Any of these factors can have an impact on the company.	• HCLTech continuously monitors the global environment and works closely with advisors, clients, partners and governments to optimize its delivery model. • To develop talent access and service-delivery resilience, we have expanded into Asia Pacific, Eastern Europe, Latin America and second-tier cities in the U.S. and India through our global New Vistas (NV) and nearshore initiatives.
Competition	HCLTech operates in a fiercely competitive market where numerous companies vie for the same clients. Additionally, there is risk from management consulting, auditing and accounting firms, which are emerging as formidable challengers in digital transformation services. The intense competition in the market can result in potential loss of customers and a decline in market share.	• HCLTech builds strong relationships with its client base, as demonstrated by sustained above-industry-average CSAT scores over multiple years. • We adapt quickly to new trends and technologies to effectively meet the evolving needs of customers. • HCLTech approaches new players in the market with a flexible approach of "coopetition" to foster mutually beneficial partnerships and collaborations.
Outsourcing Vectors	HCLTech faces a risk when established captive IT units or global innovation centers (GICs) chooses to build technology skills in-house instead of outsourcing to technology firms. Legislative changes that limit the availability of work visas and contribute to deglobalization can potentially impact outsourcing.	• HCLTech recognizes the potential risk to outsourcing from such trends and legislative changes. However, we view these trends as opportunities and have continuously monitored and tracked them over the years to adapt and respond accordingly. • For example, IT service providers have the opportunity to generate additional revenue when captive IT units outsource their traditional IT services responsibilities to them. • To mitigate the potential impact of legislative changes on outsourcing, HCLTech has decreased reliance on work visas by hiring more local talent and enabling remote and hybrid workplaces. This strategy has resulted in one of the highest local talent ratios in the industry. Additionally, we leverage nearshore centers and onshore delivery to further reduce dependency on work visas.

Financial Risks

Primary Risk	Details	Mitigation
Default or Credit	HCLTech's credit risk is concentrated in cash and bank balances, inter-corporate deposits, customer receivables, finance lease receivables, investment securities and derivative instruments. As the company's clients are primarily corporations based in the U.S. and Europe, the receivables are concentrated in these countries. All financial instruments mentioned above carry a risk of non-performance by counterparties.	• HCLTech evaluates the financial reliability of its clients by analyzing their financial condition, current economic trends, historical debts and customer receivables.
Currency	HCLTech generates the majority of its revenue from clients located outside of India and the company mainly receives payments in foreign currencies. Similarly, as HCLTech has delivery teams based in various countries, most of its costs are also denominated in foreign currencies. This situation puts HCLTech at risk of financial loss due to changes in exchange rates.	• HCLTech uses foreign exchange forward contracts and options to mitigate the risk of foreign currency fluctuations on its foreign currency assets and liabilities. • The board establishes governing policies and processes that determine the duration of hedges, the percentage of risk to be covered and the counterparty risk to be assumed.
Acquisition	HCLTech periodically acquires businesses, and the success of these acquisitions depends on how well the acquired entity is integrated and how synergies between the acquired business and HCLTech are realized. The success of an acquisition is also dependent on external factors. Factors beyond HCLTech's control can have an impact, including the risk of impairment of goodwill and other intangibles if the acquisition is not effectively integrated. The absence of a formal integration process can also lead to a misalignment with business objectives, failure to realize synergy benefits, ineffective post-deal monitoring and loss of critical talent.	• HCLTech has a robust integration and performance management framework that enables the acquired businesses and HCLTech to achieve the acquisition objectives. Our Integration and Performance Management Office (IPMO) manages the integration process and ensures value creation. • Our governance program includes a robust mechanism to ensure regular reviews at set intervals and at multiple levels, from Line of Business leadership to Executive Management to the Board of Directors, to address these concerns.

Primary Risk	Details	Mitigation
Tax	HCLTech is subject to taxes in numerous jurisdictions worldwide and benefits from tax advantages in India and several other countries. Changes to tax laws in India or other countries where HCLTech has a significant presence could have an impact on the company's effective tax rate. As HCLTech operates in multiple jurisdictions, transfer pricing arrangements among legal entities in these regions are subject to review by various tax authorities.	• HCLTech has employed specialized tax teams that keep abreast of the latest tax developments in different countries and implement appropriate tax planning strategies based on changes in tax laws. • To mitigate tax risks associated with transfer pricing, we have established advance pricing agreements in several countries and periodically reviews them with external consultants.

Operational Risks

Primary Risk	Details	Mitigation
Talent Management & Development	HCLTech faces the risk of not fulfilling resource demands, which could have a negative impact on top line growth and organizational expansion due to a shortage of talent. Furthermore, the risk of higher attrition rates can also equally affect delivery capability and growth plans. Managing talent and meeting the ever-increasing demand for talent poses a significant ongoing risk to the company.	• HCLTech is increasing its entry level hiring to ensure have enough talent worldwide. We have a strong training strategy to meet the needs and goals of all employees. This includes learning solutions for professional, technical, functional and leadership development. The latter helps mitigate the risk of having a leadership pipeline that's not ready for larger roles due to a lack of development and succession planning. • We have a variety of initiatives to attract, engage and grow a stable and happy multi-generational employee pool. • Our HR/People team aims to reach every employee to support their growth and provide employees with progressive career paths through internal opportunities.

Primary Risk	Details	Mitigation
Service Delivery Commitments	HCLTech recognizes the risk of failing to comply with terms and conditions, including meeting contractual commitments and service level agreements (SLAs) made with its clients. This is considered a significant enterprise risk, emphasizing the need to effectively identify, monitor and report on SLAs to relevant stakeholders. The COVID-19 pandemic, as well as the Russia-Ukraine conflict and related events, have highlighted the vulnerability of supply chains to disruptions resulting from supply-side shortages and logistics-capacity constraints.	• HCLTech has robust governance to continuously assess client expectations and work on proactive measures to deliver the promised value. • HCLTech employs an integrated business planning and execution process, in which the sales and delivery teams regularly engage with clients to ensure the seamless execution of engagements within SLAs. The company has a robust cadence mechanism, known as CREST, with larger leadership participation to identify and address any issues ahead of time. We also use annual account level feedback (ACSAT) and project feedback (PCSAT) to mitigate the risk of failure to meet service delivery commitments. • We have implemented a robust vendor risk management framework to minimize the potential business impact to us and our clients arising out of breaches and liabilities while leveraging third or fourth parties (referred to as vendors, suppliers, contractors or service providers).
Cost Management	HCLTech recognizes effective cost management as a crucial aspect of our operations, particularly during periods of higher inflation. Poor budget planning, inaccurate cost estimation and external factors such as rising costs of talent and other resources can all contribute to the risk of cost overruns.	• HCLTech's control processes include frequent benchmarking and delivery restructuring, enabling the organization to remain cost-competitive. Our managers employ a zero-based budget approach, scrutinizing costs constantly. We also have a seamless view of demand and supply to ensure any genuine cost increases due to external factors are passed through to clients at the appropriate time through billing rate increases in our pricing structure.
Internal Controls and Processes	Lack of processes or poorly designed processes and controls in HCLTech can lead to operational inefficiency and impact business.	• HCLTech has a plethora of robust internal frameworks and processes that are monitored in numerous ways to evaluate their impact. We also have regular audits to ensure process quality and adherence to mandatory processes.
Operational Agility	HCLTech faces a risk if it is not operationally agile, meaning it may not be able to respond and adapt to changing market conditions or meet various stakeholder preferences, including clients, employees and the community. This lack of agility could result in significant financial losses and a negative impact on the company's brand.	• HCLTech has strong internal processes and efficient resources in place to ensure smooth operations and high agility. • Our ideapreneurship-led culture empowers leadership and managers to respond to changing market conditions in line with our purpose and strategic objectives. • Our history of success through this approach is the evidence that people in the organization are well-trained and aware of how to be agile without increasing risk exposure.

Cyber and Resilience Risks

Primary Risk	Details	Mitigation
Information and Cybersecurity	HCLTech faces significant risks in information and cybersecurity, particularly with regards to the protection of client and company data, as it is a global IT services provider. The risk of data breaches due to inadvertence, negligence or intentional acts of employees can have a significant negative impact on HCLTech' s business.	• To ensure HCLTech 's cyber preparedness is of the highest order, HCLTech has implemented a robust and comprehensive Information Security Management System (ISMS) across the company and its third-party partners. • It has hired qualified cybersecurity professionals and invested in high-end security technology solutions. Additionally, we conduct periodic internal and external audits to assess our preparedness, and we have obtained third-party certifications such as ISO 27001, SOC1, SOC2 and PCIDSS where required to demonstrate our commitment to cybersecurity. • HCLTech's Information Security policies are based on industry best practices and leading security frameworks, with a continuous reinforcement of security controls to ensure the confidentiality, integrity and availability of information assets. Additionally, there is a continuous awareness program for all employees to ensure that they are up to date with the latest security practices. • HCLTech has cyber insurance that covers several types of breaches and cyber events. The company has not experienced any material cyber breaches in the past three years.
Business Continuity	HCLTech 's reputation as a leading technology company depends on its resilience to disruptions and its ability to adapt to a complex and rapidly changing global risk landscape. Business continuity is critical to our ability to deliver services to clients. Failure to meet contractual continuity requirements due to lack of preparedness can negatively impact organization's ability to provide uninterrupted service.	• Our business continuity program works in tandem with our crisis response system to ensure an effective and prompt response to any disruptive event, be it man-made or natural, that may impact our business operations. • HCLTech is a forward-looking organization. Our business continuity and crisis management programs are enhanced further to improve readiness and adapt to global events and threats. Resilience is an integral part of our operations and are working to embed it across all aspects of the organization, including work, people, workplace, business operations, technology, supply chain and leadership.

Primary Risk	Details	Mitigation
Geopolitical	HCLTech faces risks from global events, such as the ongoing Russia-Ukraine and Taiwan-China conflicts, as well as potential sanctions from OFAC on China and Iran, which can have significant domestic and global economic implications. Any future global economic or political uncertainties may further exacerbate IT spending reduction, postponement or consolidation, contract terminations, project deferrals and client purchase delays. Such uncertainties can also affect the industries that drive a substantial portion of HCLTech's revenue. Heightened geopolitical situations among the major economies may also impact HCLTech's ability to grow holistically across regions.	• HCLTech has set up a geopolitical framework to continuously monitor geopolitical risks using the PESTLE framework. This allows for proactive measures to be taken in response to various macro developments. The framework is designed to work in tandem with our crisis response program, which enables us to respond to critical events arising from geopolitical developments in an effective and timely manner. • We have been expanding our business across various countries to minimize dependence on any single country for revenue growth and service delivery. Additionally, we have implemented a strategy of hiring local talent through various internal programs, which helps mitigate the risk of any adverse impact on the business due to restrictions on the free mobility of staff. • We strategically invest in a flexible talent model of onsite, onshore, nearshore and offshore resources to address these concerns and empower the best to solve client business challenges.

Governance and Compliance Risks

Primary Risk	Details	Mitigation
Environment Social Governance (ESG)	HCLTech recognizes that environmental, social and governance (ESG) risks pose a critical challenge to its business operations. As a responsible corporate citizen, HCLTech has integrated ESG considerations into its overall risk management program, with the board and management responsible for identifying and mitigating these risks. Failure to effectively manage ESG risks can lead to reputational damage, loss of business opportunities and potential regulatory non-compliance, which can significantly impact HCLTech's financial performance and long-term sustainability.	• HCLTech is committed to managing ESG risks as part of its overall integrated risk management program. Our program is designed to identify and address ESG risks that could impact our financial performance, reputation and ability to achieve our strategic objectives. We have enhanced the risk integration and uplifted the relevant risk management program to align with our commitment to supercharge progress for communities and the planet and to support global environmental and sustainability objectives. For more information on our program and key ESG risk factors, please refer to the detailed section.

Primary Risk	Details	Mitigation
Regulatory Compliance	HCLTech operates in an ever-growing list of countries and industries, leading to a higher risk of non-compliance with regulatory requirements that are applicable to its business. Failure to comply with such regulations may result in financial and reputational losses for the company.	• HCLTech's global regulatory compliance framework that identifies, assesses, mitigates and monitors regulatory risks that affect our operations. This framework covers both global and local laws and regulations and helps the organization prevent violations that could harm our reputation, employees and clients. • Comprehensive awareness and training programs are implemented to drive compliance culture across the organization. • The board receives quarterly compliance certificates from the respective functions with responsibility for compliance.
Privacy	HCLTech's operations have expanded significantly, leading to an increase in the scope of processing personal data of individuals, vendors, contractors and enterprises. Furthermore, remote working has resulted in changes in the processing environment. Privacy laws across different countries are stringent and dynamic, especially regarding healthcare and financial data. The privacy landscape is continuously shifting as governing bodies around the world scrutinize the adequacy of privacy laws and regulations to address the evolving digitization of personal data. Additionally, case law and privacy actions that individuals and enforcement agencies bring further impact the privacy landscape. Non-compliance with these applicable privacy legislations poses a significant risk to HCLTech.	• HCLTech has established a robust privacy information management system to safeguard personal data and ensure compliance with applicable legal, regulatory and contractual obligations pertaining to data privacy and protection. The system ensures adherence to generally accepted Privacy Principles to manage and address data subject rights and other privacy obligations. • Our privacy information management system includes various components such as global governance, policies and procedures, training and awareness programs, privacy impact assessments, privacy by design, data mapping, third-party contractual oversight, incident management and a mechanism for global monitoring of privacy compliance. These components ensure that we have the necessary capabilities to support global privacy compliance in an ever-evolving regulatory space that requires constant monitoring of regional privacy compliance variances. • Our privacy team is led by a Global Privacy Officer and consists of Regional Privacy and Data Protection Officers. HCLTech holds industry-recognized certifications and accreditations. An external global data protection officer provides oversight by independently reviewing and reporting on the measures in place for privacy compliance.
Intellectual Property (IP) infringement and leakage	HCLTech's Intellectual Property (IP) is a key differentiator and reflects its innovative capabilities. The company has implemented extensive measures to drive innovation at all levels of the organization, ensuring that innovation and differentiation are embedded into the company's culture. This approach helps HCLTech to continuously adapt and prepare for the future. However, there is a risk of IP infringement and loss of ownership in the absence of effective IP governance, which may result in Intellectual Property violations.	• HCLTech has implemented extensive measures to safeguard the company's intellectual property (IP) to prevent potential losses in ownership rights and financial losses. • We have taken appropriate measures to prevent infringement of intellectual properties such as patents, trademarks and copyrights belonging to others. This helps mitigate the risks of increased litigation, financial losses and reputational damage. • To address the changes in the IP landscape, we have conducted a thorough review of the risks in this area and implemented effective mitigation measures.

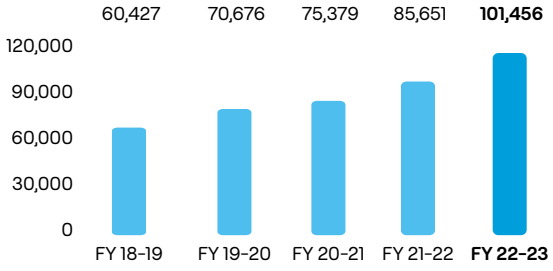
Consolidated Results

This part of the Management Discussion and Analysis refers to the consolidated financial statements of HCL (the "Company" or the "Parent Company") and its subsidiaries referred to as the "Group". The discussion should be read in conjunction with the financial statements and related notes to the consolidated accounts of HCL for the year ended 31 March 2023, prepared in accordance with the Indian Accounting Standard (referred to as "Ind AS"), prescribed under Section 133 of the Companies Act, 2013, and read with the Companies (Indian Accounting Standard) rules as amended from time to time.

Performance Trends

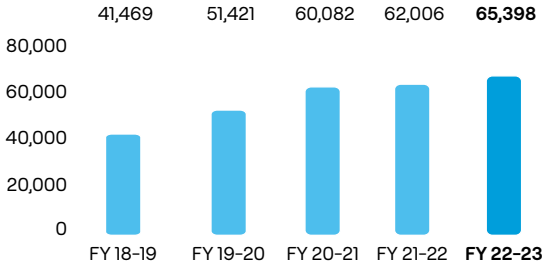
Revenue (₹ Crores)

Revenue has increased from ₹60,427 crores in FY19 to ₹101,456 crores in FY23, with a compounded annual growth rate (CAGR) of 13.8% over the last four years.



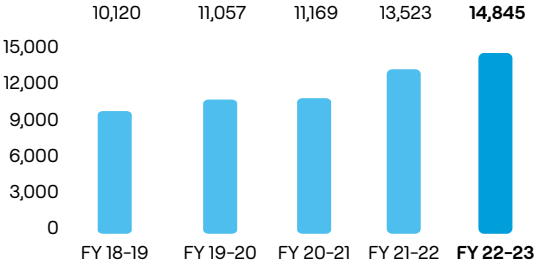
Net Worth (₹ Crores)

The Net worth has increased from ₹41,469 crores in FY19 to ₹65,398 crores in FY23, with a CAGR of 12.1% over the last four years.



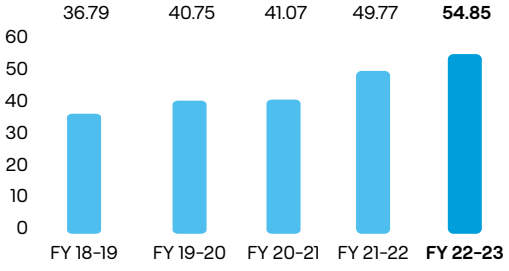
Profit After Tax (₹ Crores)

Profit after tax has increased from ₹10,120 crores in FY19 to ₹14,845 crores in FY23, with a CAGR of 10.1% over the last four years.



Earnings Per Share (₹)

Basic earnings per share has increased from ₹36.79 in FY19 to ₹54.85 in FY23, with a CAGR of 10.5% over the last four years.



Financial Performance

Results of operations (Consolidated):

(in ₹ Crores)

	Year ended				
	31 March 2023		31 March 2022		
Particulars	**Amount**	**% Revenue**	**Amount**	**% Revenue**	**% Increase**
Revenues from operations	101,456	100.0%	85,651	100.0%	18.5%
Other income	1,358	1.3%	1,067	1.2%	27.3%
Total income	**102,814**	**101.3%**	**86,718**	**101.2%**	**18.6%**
Expenses					
Purchase of stock-in-trade	2,072	2.0%	1,473	1.7%	40.7%
Changes in inventories of stock-in-trade	(67)	(0.1%)	(67)	(0.1%)	0.0%
Employee benefits expense	55,280	54.5%	46,130	53.9%	19.8%
Outsourcing costs	14,950	14.7%	12,515	14.6%	19.5%
Finance costs	353	0.3%	319	0.4%	10.7%
Depreciation and amortization expense	4,145	4.1%	4,326	5.1%	(4.2%)
Other expenses	6,593	6.5%	5,070	5.9%	30.0%
Total expenses	**83,326**	**82.1%**	**69,766**	**81.5%**	**19.4%**
Profit before share of loss of associates and tax	19,488	19.2%	16,952	19.8%	15.0%
Share of loss of an associate	-	0.0%	(1)	(0.0%)	(100.0%)
Profit before tax	19,488	19.2%	16,951	19.8%	15.0%
Tax expense					
Current tax	4,665	4.6%	3,442	4.0%	
Deferred tax charge	(22)	(0.0%)	(14)	(0.0%)	
Total tax expense	4,643	4.6%	3,428	4.0%	35.4%
Profit after tax	**14,845**	**14.6%**	**13,523**	**15.8%**	**9.8%**
Non- controlling interest	6	0.0%	(24)	(0.0%)	(125.0%)
Profit for the year	**14,851**	**14.6%**	**13,499**	**15.8%**	**10.0%**

Income

Revenues from operations

Comprises revenue from the sale of services and the sale of hardware and software.

Revenue from operations in the year ended 31 March 2023 increased by 18.5% to ₹101,456 crores from ₹85,651 crores in the year ended 31 March 2022. This increase is primarily due to business growth in the IT and Business Services (ITBS) segment and Engineering and R&D Services (ERS) segment.

Segment-wise breakup of revenues

The following table sets forth the revenue generated from each of our business segments and their respective percentage of our total revenue for the year:

(in ₹ Crores)

	Year ended				
	31 March 2023		31 March 2022		
Segment	**Amount**	**% of total**	**Amount**	**% of total**	**% Increase**
IT and Business Services	74,015	73.0%	61,711	72.1%	19.9%
Engineering and R&D services	16,802	16.5%	13,564	15.8%	23.9%
HCLSoftware	11,109	11.0%	10,791	12.6%	2.9%
Inter-segment	(470)	(0.5%)	(415)	(0.5%)	13.3%
Total Revenue	**101,456**	**100.0%**	**85,651**	**100.0%**	**18.5%**

1. In view of certain internal reorganization, revenue relating to certain software products internally developed and earlier managed by IT and Business Services, are being reported in HCLSoftware (Previously Products & Platforms) segment. Prior period figures have also been restated.
2. Inter-segment revenue is related to products and services of HCLSoftware used by Services business in rendering services to their customers.

Geography wise breakup of revenues

The Group also reviews its business on a geographic basis. The following table classifies total revenue by geographic areas:

(in ₹ Crores)

	Year ended				
	31 March 2023		31 March 2022		
Geographical Mix	**Amount**	**% of total**	**Amount**	**% of total**	**% Increase**
America	57,818	57.0%	48,205	56.3%	19.9%
Europe	26,868	26.5%	22,972	26.8%	17.0%
India*	3,935	3.9%	3,104	3.6%	26.8%
Rest of the world	12,835	12.6%	11,370	13.3%	12.9%
Total Service Revenue	**101,456**	**100.0%**	**85,651**	**100.0%**	**18.5%**

* Includes revenue billed to India based captive of global clients.

Other Income

The details of Other Income are as follows:

(in ₹ Crores)

	Year ended		
Other Income	**31 March 2023**	**31 March 2022**	**% Increase**
Interest income	769	584	
Income on mutual funds	110	94	
Profit on sale of debt securities	-	10	
Exchange differences (net)	91	328	
Profit on sale of property, plant and equipment (net)	162	15	
Gain on buyback of senior notes	170	-	
Others	56	36	
Total	**1,358**	**1,067**	**27.3%**

Other income increased by 27.3% to ₹1,358 crores in the year ended 31 March 2023 from ₹1,067 crores in the year ended 31 March 2022. This increase is primarily due to higher interest income by ₹185 crores largely on account of higher realized return on treasury investment, increase in profit on sale of property, plant and equipment (net) by ₹147 crores and gain of ₹170 crores on buy back of senior notes partially netted off by lower exchange gain of ₹237 crores from last year.

Expenses

Employee benefits expense

Employee benefit expenses include salaries that have fixed and variable components, and contributions to retirement and pension plans. It also includes expenses incurred on staff welfare.

(in ₹ Crores)

	Year ended				
	31 March 2023		31 March 2022		
Particulars	**Amount**	**% Revenue**	**Amount**	**% Revenue**	**% Increase**
Salaries, wages and bonuses	48,717	48.0%	40,494	47.3%	20.3%
Contribution to provident fund and other employee benefits	6,041	6.0%	5,382	6.3%	12.2%
Share based payments to employees	308	0.3%	81	0.1%	280.2%
Staff welfare expenses	214	0.2%	173	0.2%	23.7%
Total	**55,280**	**54.5%**	**46,130**	**53.9%**	**19.8%**

Employee benefit expense has increased by 19.8% to ₹55,280 crores in the year ended 31 March 2023 from ₹46,130 crores in the year ended 31 March 2022. The increase is primarily due to an increase in number of employees (225,944 as of 31 March 2023 compared with 208,877 as of 31 March 2022); and an increase in the average cost per employee due to normal salary revisions, skill-based incentives, and exchange impact on depreciation of INR against foreign currencies as significant cost is getting incurred outside India.

Outsourcing expenses

Outsourcing expense includes outsourcing of several client-related activities such as hosting services, facilities management, disaster recovery, maintenance, and break fix services, and hiring of third-party consultants from time to time to supplement the in-house teams.

Outsourcing expense increased by 19.5% to ₹14,950 crores in the year ended 31 March 2023 from ₹12,515 crores in the year ended 31 March 2022. This increase in the current year is primarily due to an increase in outsourcing of client-related activities and exchange impact on depreciation of INR against foreign currencies as major cost is getting incurred outside India.

Finance costs

Finance costs comprises interest on loans from banks, interest on senior notes, interest on lease liabilities, interest on direct taxes, other interest, and fair value changes on liabilities carried at fair value through profit and loss and bank charges.

Finance costs increased by 10.7% to ₹353 crores in the year ended 31 March 2023 from ₹319 crores in the year ended 31 March 2022. This increase is primarily on account of interest cost on working capital management partially netted off with decrease in fair value changes on liabilities carried at fair value through profit and loss.

Depreciation and amortization expense

Depreciation and amortization expense decreased by 4.2% to ₹4,145 crores in the year ended 31 March 2023 from ₹4,326 crores in the year ended 31 March 2022. This decrease is primarily due to lower amortization on intangibles by ₹244 crores (mainly on acquired intangibles: licensed IPRs and customer relationships), partially netted of with increase in depreciation on right-of-use assets by ₹38 crores.

Other expenses

(in ₹ Crores)

	Year ended				
	31 March 2023		31 March 2022		
Particulars	**Amount**	**% Revenue**	**Amount**	**% Revenue**	**% Increase**
Travel and conveyance	1,235	1.2%	555	0.6%	122.5%
Software license fee	1,037	1.0%	916	1.1%	13.2%
Repairs and maintenance	764	0.8%	626	0.7%	22.0%
Recruitment, training and development	552	0.5%	517	0.6%	6.8%
Legal and professional charges	547	0.5%	539	0.6%	1.5%
Communication costs	502	0.5%	466	0.5%	7.7%
Power and fuel	328	0.3%	291	0.3%	12.7%
Expenditure toward corporate social responsibility activities	240	0.2%	219	0.3%	9.6%
Rates and taxes	227	0.2%	127	0.1%	78.7%
Insurance	109	0.1%	109	0.1%	0.0%
Rent	67	0.1%	70	0.1%	(4.3%)
Provision for doubtful debts / bad debts written off (net)	25	0.0%	21	0.0%	19.0%
Others	960	0.9%	614	0.7%	56.4%
Total	**6,593**	**6.5%**	**5,070**	**5.9%**	**30.0%**

Other expenses increased by 30.0% to ₹6,593 crores in the year ended 31 March 2023 from ₹5,070 crores in the year ended 31 March 2022. The increase in costs is primarily due to an increase in travel and conveyance expenses by ₹680 crores post relaxation in COVID-19 travel restrictions, software license fee by ₹121 crores, rates and taxes by ₹100 crores and other expenses.

Tax expenses

Tax expenses comprises current tax and deferred tax.

(in ₹ Crores)

Particulars	31 March 2023	31 March 2022
Profit before tax	19,488	16,951
Total tax expense	4,643	3,428
Effective tax rate	23.8%	20.2%

Tax expenses include current tax and deferred tax expense. Increase in tax expense for the year ended 31 March 2023 is primarily due to increase in effective tax rate primarily due to increase in ratio of taxable to tax-exempt profits in SEZ units in India during the period and settlement of uncertain tax positions in favor of the company in comparative period. [for details refer to note no 3.25 to the consolidated financial statement].

Financial position

(in ₹ Crores)

Particulars	31 March 2023	31 March 2022
Assets		
(a) Property, plant and equipment	5,371	5,612
(b) Capital work in progress	40	129
(c) Right-of-use assets	2,337	2,305
(d) Goodwill	18,567	17,417
(e) Other intangible assets	8,344	9,743
(f) Other non-current assets	5,175	5,786
(g) Current assets	53,577	48,041
Total assets	**93,411**	**89,033**
Equity		
(a) Equity share capital	543	543
(b) Other equity	64,855	61,463
Total equity	**65,398**	**62,006**
Liabilities		
(a) Non - current liabilities	6,582	8,252
(b) Current liabilities	21,431	18,775
Total equity & liabilities	**93,411**	**89,033**

Other equity comprises other equity attributable to shareholders of the Group and non-controlling interest.

Property, plant and equipment

Property, plant and equipment net of depreciation as of 31 March 2023 is ₹5,371 crores (compared with ₹5,612 crores as of 31 March 2022). The decrease was primarily due to depreciation for the year of ₹1,478 crores (computer and networking equipment of ₹1,017 crores and the balance of other assets) offset with the addition (net of disposal) during the year of ₹1,195 crores.

Right-of-use assets

Right-of-use assets net of depreciation as of 31 March 2023 is ₹2,337 crores (compared with ₹2,305 crores as of 31 March 2022).

Goodwill and intangible assets

Goodwill as of 31 March 2023 is ₹18,567 crores (compared with ₹17,417 crores as of 31 March 2022). The increase was due to acquisitions through business combinations by ₹523 crores and currency translation by ₹627 crores. [For details refer to note no 3.2 to the consolidated financial statement].

Intangible assets as of 31 March 2023 are ₹8,344 crores (compared with ₹9,743 crores as of 31 March 2022). The decrease was primarily due to amortization of ₹1,955 crores during the year partly offset by addition of intangibles by ₹193 crores (Software ₹136 crores and balance other assets) and acquisitions through business combinations of ₹258 crores (Customer relationships of ₹130 crores and the balance of other assets).

Treasury investments

The guiding principles of the Group's treasury investments are safety, liquidity and return. The Group has efficiently managed its surplus funds through careful treasury operations.

The Group deploys its surplus funds in fixed deposits with banks, deposits with corporate and financial institutions and investments in debt mutual funds and debt securities, with a limit on investments with any individual bank/fund.

Breakup of treasury investments is given below

(in ₹ Crores)

Particulars	31 March 2023	31 March 2022
Debt mutual funds	1,784	2,456
Debt securities	3,601	3,783
Deposits with banks	9,827	4,847
Deposits with corporation and financial institution	2,602	3,208
Total	**17,814**	**14,294**

Current and other non-current assets excluding treasury investments

"Other non-current assets" comprises deferred tax assets (net), and financial and other assets.
"Current assets" comprises inventories, tax assets(net), and financial and other assets.

(in ₹ Crores)

Particulars	31 March 2023	31 March 2022
Other non-current assets	5,175	5,786
Current assets	53,577	48,041
Total	58,752	53,827
Less: Treasury investments	17,814	14,294
Total	**40,938**	**39,533**

Current and other non-current assets, excluding treasury investments increased by ₹1,405 crores to ₹40,938 crores as of 31 March 2023 from ₹39,533 crores as of 31 March 2022. The increase is primarily on account of an increase in trade receivables by ₹4,444 crores partially netted off with decrease in unrealized gain on derivative financial instruments by ₹407 crores.

Shareholders' fund

The equity attributable to shareholders of the Group is ₹65,405 crores as of 31 March 2023 (compared with ₹61,914 crores as of 31 March 2022). The increase is primarily due to profit during the year by ₹14,851 crores partially netted off by payment of dividend by ₹12,995 crores.

Borrowings

(in ₹ Crores)

Particulars	31 March 2023	31 March 2022
Long-term borrowings		
- From banks	51	164
- From senior notes*	2,060	3,759
Current maturities of long-term borrowings	140	62
Total	**2,251**	**3,985**

*On 10 March 2021, the Group through its wholly owned subsidiary had issued senior notes, due 2026, of USD 500 million listed on Singapore Exchange Securities Trading Limited (SGX-ST). During the year, the Group bought back USD 248 million senior notes (carried at USD 246 million, net of issue expenses and discount) for USD 225 million (₹1,814 crores). The resulting gain of USD 21 million (₹170 crores) on derecognition of senior notes has been recognized in "other income".

Non-current and current liabilities

"Non-current liabilities" comprises provisions, deferred tax liabilities (net), financial and other liabilities.
"Current liabilities" comprises provisions, tax liabilities (net), and financial and other liabilities.

(in ₹ Crores)

Particulars	31 March 2023	31 March 2022
Non-current liabilities	6,582	8,252
Current liabilities	21,431	18,775
Total	28,013	27,027
Less: Borrowings	2,251	3,985
Total	**25,762**	**23,042**

Current and non-current liabilities, excluding borrowings, increased by ₹2,720 crores to ₹25,762 crores as of 31 March 2023 from ₹23,042 crores as of 31 March 2022. The increase is primarily on account of an increase in current tax liabilities by ₹812 crores, contract liabilities by ₹663 crores, accrued salaries and benefits by ₹410 crores and trade payables by ₹150 crores.

Cash flows

A summary of the cash flow statement is given below:

(in ₹ Crores)

		Year ended	
Particulars		**31 March 2023**	**31 March 2022**
Net cash flows from operating activities	(A)	18,009	16,900
Net cash flow from (used in) investing activities	(B)	(3,931)	1,477
Net cash flows used in financing activities	(C)	(15,881)	(14,508)
Net increase in cash and cash equivalents	(A)+(B)+(C)	(1,803)	3,869
Effect of exchange differences on cash and cash equivalents held in foreign currency		358	120
Cash and cash equivalents at the end of the year		**9,065**	**10,510**

Net cash flows from operating activities

Net cash generated from operating activities was ₹18,009 crores during the year ended 31 March 2023, consisting of profit before tax of ₹19,488 crores, adjusted for: non-cash and non-operating items which are primarily depreciation and amortization of ₹4,145 crores, and interest income of ₹(769) crores; and cash used in net working capital of ₹1,305 crores which was primarily driven by movement in trade receivables and cash used to pay taxes (net of refund), which was ₹3,698 crores.

Net cash generated from operating activities was ₹16,900 crores during the year ended 31 March 2022, consisting of profit before tax of ₹16,951 crores, adjusted for: non-cash and non-operating items which are primarily depreciation and amortization expenses of ₹4,326 crores, and interest income of ₹(583) crores; and cash used in net working capital of ₹549 crores, which was primarily driven by movement in trade receivables and cash used to pay taxes (net of refund), which was ₹3,443 crores.

Net Cash flows from (used in) investing activities

Net cash used in investing activities was ₹3,931 crores for the year ended 31 March 2023. This was primarily due to net amount of placement of bank and corporate deposits of ₹3,256 crores, net amount of purchase and sale of property, plant and equipment and intangibles of ₹1,444 crores, Payments for business acquisitions (net of cash acquired) of ₹706 crores partially offset with net amount of maturity/sale and purchase of investment in securities of ₹1,006 crores, interest received of ₹636 crores.

Net cash flow from investing activities was ₹1,477 crores for the year ended 31 March 2022. This was primarily due to net amount of maturity/redemption and placement of bank and corporate deposits of ₹1,874 crores, net amount of maturity/ sale and purchase of investment in securities of ₹641 crores, interest received of ₹590 crores partially offset with net amount of purchase and sale of property, plant and equipment and intangibles of ₹1,555 crores.

Net Cash flow used in financing activities

Net cash used in financing activities was ₹15,881 crores for the year ended 31 March 2023, primarily comprising payment of dividends of ₹12,995 crores, net payment of borrowings ₹1,848 crores and payment of lease liabilities including interest of ₹927 crores.

Net cash used in financing activities was ₹14,508 crores for the year ended 31 March 2022, primarily comprising payment of dividends of ₹11,391 crores, payment of lease liabilities including interest of ₹1,067 crores, acquisition of treasury shares of ₹804 crores, and acquisition of non-controlling interest in the Actian corporation for ₹746 crores.

Key financial ratios

			Year ended			
Ratio	**Numerator**	**Denominator**	**Units**	**31 March 2023**	**31 March 2022**	**% variation**
Operating profit ratio	Revenue from operations less all operating expenses (refer note 1 below)	Revenue from operations	%	18.2	18.9	(4%)
Net profit ratio	Profit for the year	Revenue from operations	%	14.6	15.8	(8%)
Return on net worth ratio	Profit after tax	Average total equity	%	23.3	22.2	5%
Current ratio	Current assets	Current liabilities	Times	2.5	2.6	(4%)
Trade receivable turnover ratio	Revenue from operations	Average trade receivables	Times	4.2	4.2	-
Inventory turnover ratio	Cost of good sold (refer note 2 below)	Average inventories	Times	10.3	11.0	(6%)
Interest coverage ratio	Earning before Interest expenses and taxes	Interest expenses	Times	61.3	69.6	(12%)
Debt equity ratio	Total debt (refer note 3 below)	Total equity	Times	0.1	0.1	-

Notes:

1) All operating expenses means total expenses minus finance costs.
2) Cost of goods sold includes purchase of stock in trade and change in inventories of stock-in-trade.
3) Total debts include lease liabilities.
4) Average is calculated based on simple average of opening and closing balances.

Return on net worth

Return on net worth at 23.3% in FY23 is higher compared with 22.2% in FY22 primarily on account of higher profit earned by the Group during the year.

Standalone Results

Standalone results of HCL excludes the performance of its subsidiaries.

The discussion in the paragraphs that follow should be read in conjunction with the financial statements and related notes to the standalone results of HCL Technologies Limited (herein referred to as "HCL" or "the Company") for the year ended 31 March 2023, prepared in accordance with the Indian Accounting Standard (referred to as "Ind AS"), prescribed under Section 133 of the Companies Act, 2013, read with the Companies (Indian Accounting Standard) rules as amended from time to time.

(in ₹ Crores)

	Year ended				
	31 March 2023		31 March 2022		
Particulars	**Amount**	**% Revenue**	**Amount**	**% Revenue**	**% Growth**
Revenue from operations	46,276	100.0%	40,638	100.0%	13.9%
Other income	1,031	2.2%	880	2.2%	17.2%
Total income	**47,307**	**102.2%**	**41,518**	**102.2%**	**13.9%**
Expenses :					
Purchase of stock-in-trade	168	0.4%	155	0.4%	8.4%
Change in inventories of stock-in-trade	(12)	(0.0%)	(5)	(0.0%)	
Employee benefit expense	19,799	42.8%	15,872	39.1%	24.7%
Outsourcing costs	7,291	15.8%	7,277	17.9%	0.2%
Finance cost	127	0.3%	109	0.3%	16.5%
Depreciation and amortization expense	2,431	5.3%	2,615	6.4%	(7.0%)
Other expenses	2,787	6.0%	2,227	5.5%	25.1%
Total Expenditure	**32,591**	**70.4%**	**28,250**	**69.5%**	**15.4%**
Profit before tax	14,716	31.8%	13,268	32.6%	10.9%
Tax expense:					
Current tax	3,045	6.6%	2,464	6.1%	
Deferred tax charge	212	0.5%	(70)	(0.2%)	
Total tax expense	3,257	7.0%	2,394	5.9%	36.0%
Profit after tax	**11,459**	**24.8%**	**10,874**	**26.8%**	**5.4%**

Financial position (Standalone)

(in ₹ Crores)

	31 March 2023	31 March 2022
Assets		
(a) Property, plant and equipment	3,727	3,894
(b) Capital work in progress	21	79
(c) Right-of-use assets	824	875
(d) Goodwill	6,549	6,550
(e) Other intangible assets	6,835	8,205
(f) Other non-current assets	6,833	6,933
(g) Current assets	28,571	26,887
Total assets	**53,360**	**53,423**
Equity		
(a) Equity share capital	543	543
(b) Other equity	40,561	42,048
Total equity	**41,104**	**42,591**
Liabilities		
(a) Non-current liabilities	1,589	1,789
(b) Current liabilities	10,667	9,043
Total equity and liabilities	**53,360**	**53,423**

Current and other non-current assets excluding treasury investments

"Other non-current assets" comprises deferred tax assets (net), and financial and other assets.
"Current assets" comprises inventories, tax assets(net), and financial and other assets.

(in ₹ Crores)

Particulars	31 March 2023	31 March 2022
Other non-current assets	6,833	6,933
Current assets	28,571	26,887
Total	35,404	33,820
Less: Treasury investments	13,947	13,691
Total	**21,457**	**20,129**

Current and other non – current assets, excluding treasury assets increased by ₹1,328 crores to ₹21,457 crores as of 31 March 2023 from ₹20,129 crores as of 31 March 2022; the increase is primarily on account of an increase in trade receivables by ₹1,791 crores partially netted off with decrease in unrealized gain on derivative financial instruments by ₹427 crores.

Current and non-current liabilities

"Non-current liabilities" comprises provisions, deferred tax liabilities (net), and financial and other liabilities.
"Current liabilities" comprises provisions, tax liabilities (net), and financial and other liabilities.

(in ₹ Crores)

Particulars	31 March 2023	31 March 2022
Non - current liabilities	1,589	1,789
Current liabilities	10,667	9,043
Total	12,256	10,832
Less Borrowings	191	226
Total	**12,065**	**10,606**

Current and non-current liabilities, excluding borrowings, increased by ₹1,459 crores to ₹12,065 crores as of 31 March 2023 from ₹10,606 crores as of 31 March 2022, the increase is primarily on account of increase in trade payables by ₹570 crores and contract liabilities by ₹489 crores.

Cash flows (Standalone)

A summary of the cash flow statement is given below:

(in ₹ Crores)

		Year ended	
Particulars		**31 March 2023**	**31 March 2022**
Net cash flows from operating activities	(A)	13,538	10,591
Net cash flow from (used in) investing activities	(B)	(798)	2,232
Net cash flows used in financing activities	(C)	(13,267)	(12,775)
Net increase in cash and cash equivalents	(A)+(B)+(C)	(527)	48
Effect of exchange differences on cash and cash equivalents held in foreign currency		(6)	(17)
Cash and cash equivalents at the end of the year		**2,374**	**2,907**

Net cash flow from operating activities

Net cash generated from operating activities was ₹13,538 crores during the year ended 31 March 2023, consisting of profit before tax of ₹14,716 crores, adjusted for: non-cash and non-operating items which are primarily depreciation and amortization expenses of ₹2,431 crores, interest income of ₹(558) crores; and cash used in net working capital of ₹349 crores and payment of tax of ₹2,532 crores.

Net cash generated from operating activities was ₹10,591 crores during the year ended 31 March 2022, consisting of profit before tax of ₹13,268 crores, adjusted for: non-cash and non-operating items which are primarily depreciation and amortization expenses of ₹2,615 crores, interest income of ₹(492) crores; and cash used in net working capital of ₹2,443 crores and payment of tax of ₹2,282 crores.

Net cash flows from (used in) investing activities

Net cash used in investing activities was ₹798 crores for the year ended 31 March 2023. This was primarily due to net investment in bank deposits of ₹2,293 crores and net purchase of property, plant and equipment and intangibles of ₹593 crores partially netted off with proceeds from the sale/maturity of investments in securities of ₹1,085 crores and maturity of deposits placed with body corporates of ₹606 crores.

Net cash flows from investing activities was ₹2,232 crores for the year ended 31 March 2022. This was primarily due to proceeds from the sale/maturity of investments in securities of ₹637 crores, maturity of deposits placed with body corporates of ₹1,633 crores, maturity of bank deposits ₹237 crores and interest received of ₹504 crores partially netted off with net purchase of property, plant and equipment and intangibles of ₹747 crores.

Net cash flow used in financing activities

Net cash used in financing activities was ₹13,267 crores for the year ended 31 March 2023, primarily comprising payment of dividends of ₹12,995 crores and payment of lease liabilities including interest of ₹221 crores.

Net cash used in financing activities was ₹12,775 crores for the year ended 31 March 2022, primarily comprising payment of dividends of ₹11,389 crores, acquisition of treasury shares of ₹804 crores, payments for deferred consideration on business acquisitions of ₹371 crores and payment of lease liabilities including interest of ₹207 crores.

Key financial ratios (Standalone)

				Year ended		
Ratio	**Numerator**	**Denominator**	**Units**	**31 March 2023**	**31 March 2022**	**% variation**
Operating profit ratio	Revenue from operations less all operating expenses (refer note 1 below)	Revenue from operations	%	29.8	30.8	(3%)
Net profit ratio	Profit for the year	Revenue from operations	%	24.8	26.8	(7%)
Return on net worth ratio	Profit after tax	Average total equity	%	27.4	25.2	9%
Current ratio	Current assets	Current liabilities	Times	2.7	3.0	(10%)
Trade receivable turnover ratio	Revenue from operations	Average trade receivables	Times	3.8	3.9	(3%)
Inventory turnover Ratio	Cost of good sold (refer note 2 below)	Average inventories	Times	5.4	7.3	(26%)
Interest coverage ratio	Earning before interest expense and taxes	Interest expenses	Times	126.8	129.8	(2%)
Debt equity ratio	Total debt (refer note 3 below)	Total equity	Times	0.0	0.0	-

Notes:

1) All operating expenses means total expenses minus finance costs.
2) Cost of goods sold includes purchase of stock in trade and change in inventories of stock-in-trade.
3) Total debts include lease liabilities.
4) Average is calculated based on simple average of opening and closing balances.

In addition to return on net worth variations have been explained for ratios with significant variations.

Return on net worth

Return on net worth at 27.4% in FY23 higher as compared to 25.2% in FY22 primarily on account of higher profit earned by the company during the year.

Inventory turnover Ratio

Inventory turnover Ratio has decreased from 7.3 times in FY22 to 5.4 times in FY23 primarily due to increase in year-end inventory by 12 crores.